SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

OR

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

Commission file number 0-17085

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

Delaware	95-3698422
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
14282 Franklin Avenue, Tustin, California	92780-7017
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. YES X NO__.

APPLICABLE ONLY TO CORPORATE ISSUERS:
(INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.)

70,898,581 shares of Common Stock
as of February 28, 1999

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

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

PART I FINANCIAL INFORMATION

PART II OTHER INFORMATION

PART I FINANCIAL INFORMATION

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

ITEM 1. OUR FINANCIAL STATEMENTS

TECHNICLONE CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 1998 AND JANUARY 31, 1999 (UNAUDITED)

	APRIL 30, 1998	JANUARY 31, 1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	$ 1,736,000	$ 240,000
Other receivables, net	71,000	120,000
Inventories, net	46,000	104,000
Prepaid expenses and other current assets	304,000	387,000
Total current assets	2,157,000	851,000
PROPERTY (Note 2):		
Land	1,051,000	
Buildings and improvements	6,227,000	
Laboratory equipment	2,174,000	2,732,000
Furniture, fixtures and computer equipment	921,000	931,000
Construction-in-progress	524,000	13,000
	10,897,000	3,676,000
Less accumulated depreciation and amortization	(1,625,000)	(1,657,000)
Property, net	9,272,000	2,019,000
OTHER ASSETS:		
Patents, net	211,000	178,000
Note receivable (Note2)		1,875,000
Note receivable from shareholder and former director (Note 4)	381,000	271,000
Other	18,000	149,000
Total other assets	610,000	2,473,000
	$ 12,039,000	$ 5,343,000

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION
CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 1998 AND JANUARY 31, 1999 (UNAUDITED) (CONTINUED)

	APRIL 30, 1998	JANUARY 31, 1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 729,000	$ 968,000
Notes payable, current	2,503,000	110,000
Accrued patient fees		453,000
Accrued legal and accounting fees	584,000	274,000
Accrued license termination fees	350,000	100,000
Accrued royalties and sponsored research	190,000	203,000
Accrued payroll and related costs	141,000	149,000
Other current liabilities	168,000	270,000
Total current liabilities	4,665,000	2,527,000
NOTES PAYABLE	1,926,000	224,000
COMMITMENTS (Note 4)		
STOCKHOLDERS' EQUITY (Note 3):		
Preferred stock- $.001 par value; authorized 5,000,000 shares: Class C convertible preferred stock, shares outstanding - April 1998, 4,807 shares; January 1999, 189 shares (liquidation preference of $190,000 at January 31, 1999)		
Common stock-$.001 par value; authorized 120,000,000 shares; outstanding April 1998 - 48,547,351 shares; January 1999 - 67,817,894 shares	49,000	68,000
Additional paid-in capital	78,423,000	87,311,000
Accumulated deficit	(72,639,000)	(84,429,000)
	5,833,000	2,950,000
Less notes receivable from sale of common stock	(385,000)	(358,000)
Total stockholders' equity	5,448,000	2,592,000
	$ 12,039,000	$ 5,343,000

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED JANUARY 31, 1998 AND 1999 (UNAUDITED)

	THREE MONTHS ENDED JANUARY 31,		NINE MONTHS ENDED JANUARY 31,	
	1998	1999	1998	1999
COSTS AND EXPENSES:				
Research and development	$ 1,928,000	$ 2,223,000	$ 5,324,000	$ 6,380,000
General and administrative	928,000	1,137,000	3,493,000	3,609,000
Loss on disposal of property (non-cash)	161,000	1,171,000	161,000	1,177,000
Interest	51,000	33,000	154,000	369,000
Total costs and expenses	3,068,000	4,564,000	9,132,000	11,535,000
Interest and other income	107,000	129,000	471,000	290,000
NET LOSS	$ (2,961,000)	$ (4,435,000)	$ (8,661,000)	$(11,245,000)
Net loss before preferred stock accretion and dividends	$ (2,961,000)	$ (4,435,000)	$ (8,661,000)	$(11,245,000)
Preferred stock accretion and dividends:				
Imputed dividends on Class B and Class C Preferred Stock	(271,000)	(3,000)	(853,000)	(14,000)
Accretion of Class C Preferred Stock Discount	(716,000)		(2,294,000)	(531,000)
Net Loss Applicable to Common Stock	$ (3,948,000)	$ (4,438,000)	$(11,808,000)	$(11,790,000)
Weighted Average Shares Outstanding	27,873,599	67,222,176	27,560,325	64,469,856
BASIC AND DILUTED LOSS PER SHARE (Note 1)	$ (0.14)	$ (0.07)	$ (0.43)	$ (0.18)

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED JANUARY 31, 1999 (UNAUDITED)

	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	NOTES RECEIVABLE FROM SALE OF COMMON STOCK	NET STOCKHOLDERS' EQUITY
BALANCES, May 1, 1998	4,807	$ -	48,547,351	$ 49,000	$78,423,000	$(72,639,000)	$(385,000)	$ 5,448,000
Accretion of Class C preferred stock dividends and discount					531,000	(545,000)		(14,000)
Preferred stock issued upon exercise of Class C Placement Agent Warrant	530				530,000			530,000
Common stock issued upon conversion of Class C preferred stock	(5,148)		9,313,412	9,000	(9,000)			
Common stock issued upon exercise of Class C warrants			5,836,611	6,000	3,597,000			3,603,000
Common stock issued for cash upon exercise of stock options			435,700		261,000			261,000
Common stock issued under the Equity Line for cash (Note 4)			2,905,660	3,000	3,092,000			3,095,000
Common stock issued for services, interest and under severance agreements			779,160	1,000	519,000			520,000
Stock-based compensation					367,000			367,000
Payment on notes receivable							27,000	27,000
Net loss						(11,245,000)		(11,245,000)
BALANCES, January 31, 1999	189	$ -	67,817,894	$ 68,000	$87,311,000	$(84,429,000)	$(358,000)	$ 2,592,000

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 1998 AND 1999 (UNAUDITED)

	NINE MONTHS ENDED JANUARY 31	
	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (8,661,000)	$(11,245,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	468,000	738,000
Loss on disposal of assets (Note 2)	161,000	1,177,000
Inventory write-off, net of reserve for contract losses	(53,000)	
Stock-based compensation and common stock issued for interest, services and under severance agreements	443,000	887,000
Additional consideration on Class C Preferred Stock	333,000	
Severance expense		421,000
Changes in operating assets and liabilities:		
Other receivables	164,000	1,000
Inventories, net	(97,000)	(58,000)
Prepaid expenses and other current assets	(249,000)	(83,000)
Accounts payable and accrued legal and accounting fees	1,913,000	(71,000)
Accrued patient fees		453,000
Accrued license termination fees		(250,000)
Accrued royalties and sponsored research fees	(245,000)	13,000
Other accrued expenses and current liabilities	157,000	(201,000)
Net cash used in operating activities	(5,666,000)	(8,218,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property acquisitions	(4,283,000)	(421,000)
Proceeds from sale of property (Note 2)		3,924,000
Increase in other assets	(97,000)	(131,000)
Net cash provided by (used in) investing activities	(4,380,000)	3,372,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	586,000	6,959,000
Proceed from issuance of Class C Preferred Stock		530,000
Proceeds from notes receivable payment		27,000
Proceeds from issuance of notes payable	98,000	200,000
Principal payments on notes payable	(72,000)	(4,352,000)
Payment of Class C dividends and offering costs	(125,000)	(14,000)
Net cash provided by financing activities	487,000	3,350,000

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 1998 AND 1998 (UNAUDITED) (CONTINUED)

	NINE MONTHS ENDED JANUARY 31,	
	1998	1999
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (9,559,000)	$ (1,496,000)
CASH AND CASH EQUIVALENTS, beginning of period	12,229,000	1,736,000
CASH AND CASH EQUIVALENTS, end of period	$ 2,670,000	$ 240,000
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 153,000	$ 148,000
Schedule of non-cash investing and financing activities:		
Acquisition of laboratory equipment under a capital lease		$ 57,000
Note receivable (Note 2)		$ 1,925,000

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JANUARY 31, 1999 (UNAUDITED)

1) SUMMARY OF OUR SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION. The accompanying unaudited financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements, the Company experienced losses in fiscal 1998 and during the first nine months of fiscal 1999 and has an accumulated deficit of $84,429,000 at January 31, 1999. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

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

At January 31, 1999, the Company had cash and cash equivalents of $240,000. On February 2, 1999, the Company exercised its Put option and received gross proceeds of $2,250,000 in exchange for 2,869,564 shares of common stock pursuant to a Regulation D Common Stock Equity Line Subscription Agreement the (the "Equity Line Agreement") (Notes 3 and 5). In addition, on March 8, 1999, the Company entered into a licensing agreement with an unrelated entity for the licensing of Oncolym(R) in exchange for an up-front license payment of $3,000,000 (Note 5). The Company believes it has sufficient cash on hand and available pursuant to the Equity Line Agreement (assuming only one future quarterly draw of $2,250,000 in May 1999) to meet its obligations on a timely basis through June 1999. Management believes that additional capital must be raised to support the Company's continued operations and other short-term cash needs.

See accompanying notes to consolidated financial statements

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

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at January 31, 1999, and the consolidated results of its operations and its consolidated cash flows for the three and nine month periods ended January 31, 1999 and 1998. Although the Company believes that the disclosures in the financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in the consolidated financial statements have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission. The consolidated financial statements included herein should be read in conjunction with the consolidated financial statements of the Company, included in the Company's Annual Report on Form 10-K for the year ended April 30, 1998, filed with the Securities and Exchange Commission on July 29, 1998.

Certain reclassifications were made to the 1998 balances to conform them to the 1999 presentation.

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

NET LOSS PER SHARE. Net loss per share is calculated by adding the net loss for the quarter and nine month period to the Preferred Stock dividends and Preferred Stock issuance discount accretion on the Class B Preferred Stock and the Class C Preferred Stock during the quarter and nine month period divided by the weighted average number of shares of common stock outstanding during the quarter and nine month period. Shares issuable upon the exercise of common stock warrants and options have been excluded from the quarter and nine month period ended January 31, 1999 and 1998 per share calculation because their effect is antidilutive. Accretion of the Class B and Class C Preferred Stock dividends and issue discount amounted to $3,000 and $987,000 for the quarter ended January 31, 1999 and 1998, respectively, and $545,000 and $3,147,000 for the nine month periods ended January 31, 1999 and 1998, respectively.

See accompanying notes to consolidated financial statements

NEW ACCOUNTING STANDARDS. In May 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income". SFAS No. 130 established standards for the reporting and displaying of comprehensive income. Comprehensive income is defined as all changes in a Company's net assets except changes resulting from transactions with shareholders. It differs from net income in that certain items currently recorded to equity would be a part of comprehensive income. The adoption of this standard had no effect on the Company's consolidated financial statements.

The Company adopted Financial Accounting Standards Board (SFAS) No. 131, "Disclosure about Segments of an Enterprise and Related Information" on May 1, 1998. SFAS No. 131 established standards of reporting by publicly held businesses and disclosures of information about operating segments in annual financial statements, and to a lesser extent, in interim financial reports issued to shareholders. The adoption of SFAS No. 131 had no impact on the Company's consolidated unaudited financial statements or related disclosures for the three and nine month periods ended January 31, 1999 and 1998.

During June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which will be effective for the Company beginning April 1, 2000. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statements of financial position and measure those instruments at fair value. The Company has not determined the impact on the consolidated financial statements, if any, upon adopting SFAS No. 133.

2) PROPERTY

On December 24, 1998, the Company completed the sale and subsequent leaseback of its two facilities located in Tustin, California with an unrelated entity (buyer/landlord). The aggregate sales price of the two facilities was $6,100,000, which was comprised of $4,175,000 in cash and a note receivable for $1,925,000. In connection with the sale/leaseback transaction, the Company recorded a non-cash loss on disposal of property of approximately $1,171,000, included in the accompanying consolidated financial statements.

The note receivable of $1,925,000, included in other assets in the accompanying consolidated financial statements, bears interest at a rate of 7% per annum and is collaterized under the Pledge and Security Agreement dated December 24, 1998. Principal and interest payments of $15,441 are due monthly based on a 20-year amortization. The note receivable is due upon the earlier of the sale of the property or at the end of the initial lease term of twelve years.

The leaseback is a Triple Net Lease, whereas the Company is responsible for all expenses incurred in the maintenance of the building including property taxes and insurance. The initial lease term is twelve years with two five-year extension options. The initial base rent is $56,250 per month, with rent increases of 3.35% every two years.

See accompanying notes to consolidated financial statements

Concurrent with the sale/leaseback transaction, the Company borrowed $200,000 from the buyer/landlord. The note payable bears interest at 7% per annum and is uncollateralized. Principal and interest payments of $6,175 are due monthly through December 2001.

3) STOCKHOLDERS' EQUITY

During June 1998, the Company secured access of up to $20,000,000 under the Equity Line Agreement, expiring in June 2001. Under the terms of the Equity Line Agreement, the Company may, in its sole discretion, and subject to certain restrictions, periodically sell (Put) shares of the Company's common stock for up to $20,000,000 upon the effective registration of the Put shares, which occurred on January 15, 1999. After effective registration for the Put shares, unless an increase is otherwise agreed to, $2,250,000 of Puts can be made every quarter, subject to share issuance volume limitations identical to those set forth in Rule 144(e). At the time of each Put, the investors will be issued a warrant, expiring on December 31, 2004, to purchase up to 10% of the amount of common stock issued to the investor at the same price at the time of the Put.

Also in June 1998, the Company sold 2,749,090 shares of the Company's common stock under the Equity Line Agreement, including commission shares, for gross proceeds to the Company of $3,500,000. One-half of this amount ($1,750,000) is subject to adjustment on April 15, 1999 or three months after the effective date of the registration statement registering these shares with the second half ($1,750,000) subject to adjustment on July 15, 1999 or six months after such effective date of the registration of these shares (the "Reset Provision"). At each adjustment date, if the market price at the three or six month period ("Adjustment Price") is less than the initial price paid for the common stock, the Company will be required to issue additional shares of its common stock equal to the difference between the amount of shares which would have been issued if the price had been the Adjustment Price for $1,750,000. The Company will also be required to issue additional warrants at each three month and six month period for 10% of any additional shares issued.

Future Puts under the Equity Line will be priced at (i) 82.5% of the lowest closing bid price during the ten trading days (the "10 day low closing bid price") immediately preceding the date on which such shares are sold to the Institutional Investors, or (ii) if 82.5% of such 10 day low closing bid price results in a discount of less than twenty cents ($0.20) per share from such 10 day low closing bid price, such 10 day low closing bid price minus twenty cents ($0.20).

In December 1998, the Company issued an additional 156,570 shares of common stock under the Equity Line related to the initial $3,500,000 tranche for mutual consideration.

See accompanying notes to consolidated financial statements

On February 2, 1999, the Company exercised a Put option under the Equity Line Agreement and received gross proceeds of $2,250,000 in exchange for 2,869,564 shares of common stock, including commission shares. As of March 1, 1999, the Company had $14,250,000 available for future Puts under the Equity Line Agreement pursuant to the terms in the agreement.

If the Company does not exercise the full amount of its Put rights, then the Company will issue Commitment Warrants on the first, second, and third anniversary of the Equity Line Agreement. The number of Commitment Warrants to be issued on each anniversary date will be equal to ten percent (10%) of the quotient of the difference of $6,666,666, $13,333,333 and $20,000,000 (Commitment Amounts), respectively, less the actual cumulative total dollar amount of Puts which have been exercised by the Company prior to such anniversary date divided by the market price of the Company's common stock.

In accordance with the Emerging Issues Task Force Issue No. 96-13, "Accounting for Derivative Financial Instruments", contracts that require a company to deliver shares as part of a physical settlement should be measured at the estimated fair value on the date of the initial Put. As such, the Company had an independent appraisal performed to determine the estimated fair market value of the various financial instruments included in the Equity Line Agreement and recorded the related financial instruments as reclassifications between equity categories. Reclassifications were made for the estimated fair market value of the warrants issued and estimated Commitment Warrants to be issued under the Equity Line of $1,140,000 and the estimated fair market value of the Reset Provision of $400,000 as additional consideration and have been included in the accompanying unaudited financial statements. The above recorded amounts were offset by $700,000 related to the restrictive nature of the common stock issued under the initial tranche in June 1998 and the estimated fair market value of the Equity Line Put Option of $840,000.

4) COMMITMENTS

In July 1998, the Company renegotiated a severance agreement with its former Chief Executive Officer (CEO). The Company's former CEO's employment agreement provided that the Company make immediate and substantial cash expenditure upon his termination. The Company did not have sufficient cash resources to fulfill its obligations under the former CEO's employment agreement. Accordingly, at the direction of the Board of Directors, the Company negotiated a new Severance Agreement with its former CEO to conserve cash. The new Severance Agreement provides for its former CEO to be paid $300,000 a year for the period beginning March 1, 1998 through March 1, 2000. Unexercised and unvested outstanding stock options on March 1, 1998, will vest and be paid as follows: one-third of the unexercised, unvested options outstanding on March 1, 1998 will vest immediately and be paid to the former CEO on December 31, 1998; one-third of the unexercised, unvested and outstanding options on March 1, 1998, will vest on March 1, 1999 and be paid on December 31, 1999; and one-third of

the unexercised, unvested and outstanding options on March 1, 1998, will vest and be paid on March 1, 2000. In addition, the Company will make appropriate payments, at the bonus rate, to the appropriate taxing authorities. During the employment period, beginning on March 1, 1998 and ending on March 1, 2000, the former CEO will, with certain exceptions, be eligible for Company benefits. Pursuant to the Severance Agreement, the former CEO will be available to work for the Company for a minimum of 25 hours per week. In addition, as part of the former CEO's agreement to modify his existing severance package, the Company agreed that if the former CEO did not compete during the period beginning March 1, 1998 and ending February 29, 2000, the Company will, on March 1, 2000, pay the former CEO an amount equal to his note of $350,000, plus all accrued interest thereon, which will be used to retire the respective note. During the nine months ended January 31, 1999, the Company expensed approximately $756,000 for related severance pay which has been included in general and administrative expenses in the accompanying consolidated financial statements.

On October 4, 1998, Mr. William Moding resigned from his position as Vice President, Operations and Administration to pursue other personal and business interests. In connection with Mr. Moding's resignation, the Company entered into a revised severance agreement with Mr. Moding pursuant to which Mr. Moding will provide consulting services to the Company as an independent consultant for a fixed and non-cancelable period of sixteen months continuing until January 31, 2000, in consideration of the payment to Mr. Moding of a monthly consulting fee of $12,500 and the issuance of an aggregate of 320,000 shares of Common Stock during such period for the exercise of outstanding stock options, without the requirement of any payment by Mr. Moding of the exercise price ($.60 per share). In addition, the Company has agreed to make tax payments totaling $65,280 to federal and state taxing authorities on behalf of Mr. Moding to offset the income to Mr. Moding resulting from the non-payment of the exercise price for such options and to pay Mr. Moding all accrued and unused vacation pay and accrued back pay relating to salary deferral for the period from March 21, 1998 through October 3, 1998. Pursuant to the revised agreement, Mr. Moding will be required to repay the Company the entire outstanding principal balance and accrued interest thereon under two stock option exercise notes by no later than January 31, 2000 and to execute a standard form security agreement relating to the stock option exercise notes to pledge Mr. Moding's interest in the stock options and his personal assets as backup collateral to secure his obligations under the two stock option exercise notes. From inception of the revised severance agreement through January 31, 1999, the Company expensed approximately $259,000 for related severance costs, which has been included in general and administrative expenses in the accompanying consolidated financial statements.

See accompanying notes to consolidated financial statements

5) SUBSEQUENT EVENTS

On February 2, 1999, the Company exercised a Put option under the Equity Line Agreement and received gross proceeds of $2,250,000 in exchange for 2,869,564 shares of common stock, including commission shares. As of March 1, 1999, the Company had $14,250,000 available for future Put under the Equity Line Agreement pursuant to the terms in the agreement (Note 3).

On March 8, 1999, the Company entered into a Termination Agreement with Biotechnology Development, Ltd. ("BTD"), pursuant to which the Company terminated all previous agreements with BTD and thereby reacquired the marketing rights to LYM products in Europe and certain other designated foreign countries, in exchange for (i) the issuance to BTD of a Secured Promissory Note in the principal face amount of $3,300,000 bearing simple interest at the rate of ten percent (10%) per annum, with interest payable monthly in advance and the full principal amount due and payable on March 1, 2001, (ii) the issuance of warrants to purchase up to 3,700,000 shares of Common Stock at an exercise price of $3.00 per share exercisable for a period of three (3) years, (iii) the issuance of warrants to purchase up to 1,000,000 shares of Common Stock at an exercise price of $5.00 per share exercisable for a period of five (5) years and (iv) the issuance of shares of Common Stock equal in value to $1,200,000, based on a value per share equal to ninety percent (90%) of the market price of the common stock. Pursuant to a related Security Agreement, the Company granted a security interest to BTD in and to all assets of the Company, excluding inventory, furniture, fixtures and equipment which are used in the commercialization of Oncolym(R) which are not located on the Company's Tustin, California premises or which serve as security to any other entity and further excluding any and all intangible property and intellectual property of the Company and any and all rights with respect thereto and any goodwill associated therewith.

Also on March 8, 1999, the Company entered into a License Agreement with Schering AG, Germany. Under the terms of the agreement, Schering AG, Germany was granted the exclusive, worldwide right to market and distribute LYM products in exchange for an initial payment of $3,000,000, a further payment of $2,000,000 following the acceptance by the FDA for filing of the first drug approval application for Oncolym(R) in the United States, a further payment of $7,000,000 following regulatory approval of Oncolym(R) in the United States and two final payments of $2,500,000 each following regulatory approval of Oncolym(R) in any country in Europe and upon the first commercial sale of Oncolym(R) in any country in Europe. The Company will also receive a royalty equal to twelve percent (12%) of net sales of Oncolym(R) products (which is subject to reduction, on a country-by-country basis, to six percent (6%) if there is a generic form of the Oncolym(R) product being sold in such country), which may be reduced by one percentage point if the FDA does not consent to an extension of the existing Phase II trials of Oncolym(R) as a Phase III clinical trial by June 30, 1999. Pursuant to the terms of the agreement, the Company is required to pay for all pre-clinical expenses up to $500,000 incurred after March 8, 1999, and fifty percent (50%) of all such expenses incurred in excess of $500,000, with the other fifty percent of such expenses to be paid by Schering AG, Germany. The Company is also required to pay for twenty percent (20%) of the clinical development expenses and existing trial expenses associated with Oncolym(R), and Schering AG, Germany is required to pay for the other eighty percent (80%) of such expenses. Each party will pay for all of its

internal costs relating to existing trials. Pursuant to the agreement, the Company and Schering AG, Germany have also agreed to a structure for proceeding with negotiations concerning the terms of a possible licensing of the Company's Vascular Targeting Agent ("VTA") technology in the near future. The continued effectiveness of the agreement with Schering AG, Germany is subject to certain other conditions and may be terminated by Schering AG, Germany if (i) there are issues of safety or patient tolerability, (ii) Schering AG, Germany determines in its reasonable scientific or business discretion prior to receiving regulatory approval that the Oncolym(R) product is not acceptable for reasons of efficacy or risk/benefit therapeutic ratio, (iii) the FDA does not permit the extension or conversion of the Phase II trials of Oncolym(R) as a Phase III clinical trial by June 30, 1999, (iv) Schering AG, Germany determines, using its reasonable judgment based on data from or the results of the first Phase III clinical trials of Oncolym(R) that such results do not support the submission of Oncolym(R) for regulatory approval, (v) the Company fails to deliver or it becomes reasonably clear that the Company will fail to deliver in time appropriate quantities of clinical supplies of antibody or Oncolym(R) product such that the clinical development of Oncolym(R) will be delayed by three (3) months or more, (vi) if the Company has not concluded a definitive agreement providing for a radiolabeling site for the production of Oncolym(R) products by September 1, 1999, or (vii) at any time after receiving regulatory approval upon twelve months notice to the Company. However, if the agreement is terminated by Schering AG, Germany due to issues of safety or patient tolerability, or Schering AG, Germany determines in its reasonable scientific or business discretion prior to receiving regulatory approval that the Oncolym(R) product is not acceptable for reasons of efficacy or risk/benefit therapeutic ratio or determines, using its reasonable judgment based on data from or the results of the first Phase III clinical trials of Oncolym(R), that such results do not support the submission of Oncolym(R) for regulatory approval, Schering AG, Germany will remain obligated to pay for 80% of the non-cancellable third party costs in regard to clinical trials underway at the time of such termination, up to $1,500,000 (other than a termination after receiving regulatory approval). Schering AG, Germany may also terminate the agreement upon thirty days' written notice given at any time prior to receiving regulatory approval, but will remain obligated to pay for all of the costs of completing all then ongoing clinical trials for Oncolym(R), up to $3,000,000.

See accompanying notes to consolidated financial statements

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

GOING CONCERN. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements, we experienced losses in fiscal 1998 and during the first nine months of fiscal 1999 and we have an accumulated deficit at January 31, 1999 of $84,429,000. These factors, among others, raise substantial doubt about our ability to continue as a going concern.

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

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

COMPANY OVERVIEW. We are engaged in the research, development and commercialization of novel cancer therapeutics in two principal areas - direct tumor targeting agents for the treatment of refractory malignant lymphoma and collateral tumor targeting agents for the treatment of solid tumors.

DIRECT TUMOR TARGETING AGENTS. Our most advanced direct tumor targeting agent candidate, Oncolym(R), is an investigational murine monoclonal antibody radiolabeled with I131 which is being studied in a Phase II/III trial for the treatment of intermediate and high-grade relapsed or refractory B-cell non-Hodgkins lymphoma ("NHL"). The clinical trials for Oncolym(R) are currently being held at participating medical centers, including M.D. Anderson Cancer Center, George Washington University Medical Center, Iowa City VA Medical Center, Queen's Medical Center-Hawaii, University of Illinois at Chicago Medical Center, The Medical University of South Carolina, Beth Israel Deaconess Medical Center-Boston, Cleveland Clinic and University of Miami Hospital. We currently anticipate adding up to eight additional clinical trial sites for Oncolym(R). Following the completion of the clinical trials, we expect to file an application with the United States Food and Drug Administration ("FDA") to market Oncolym(R) in the United States.

COLLATERAL TUMOR TARGETING AGENTS. Collateral tumor targeting may be described as the therapeutic strategy of targeting peripheral structures and cell types, other than the viable cancer cells directly, as a means to treat solid tumors. Our three leading advanced collateral targeting agents for solid tumors are Tumor Necrosis Therapy ("TNT"), Vascular Targeting Agents ("VTAs"), and Vasopermeation Enhancement Agents ("VEAs").

- TNT is a universal tumor targeting therapy potentially capable of treating a wide range of solid tumors. Radiolabeled TNT agents are believed to act by binding to dead or dying cells at the core of the tumor and irradiating the tumor from the inside out. TNT is potentially capable of carrying a wide variety of therapeutic agents to the interior of solid tumors. Our first TNT-based product is an investigational, chimeric monoclonal antibody radiolabeled with the I131 isotope. During March 1998, we began enrolling patients into a Phase I study of TNT for the treatment of malignant glioma (brain cancer). We have since filed a protocol with the FDA for a Phase II study of TNT for the treatment of malignant glioma, which commenced in December 1998. The clinical trials are currently being conducted at The Medical University of South Carolina with additional clinical sites underway. We have also received an unrestricted grant to conduct Phase I/II systemic trials of TNT for prostate, pancreatic and liver cancers at a clinical site in Mexico City.

- VTAs are believed to act by destroying the vasculature of solid tumors. VTAs are multi-functional molecules that target the capillaries and blood vessels of solid tumors. Once there, these agents block the flow of oxygen and nutrients to the underlying tissue by creating a blood clot in the tumor. In preclinical trials, VTAs have caused clots in animals and within hours of the clot's formation, the tumor begins to die and necrotic regions are formed. Since every tumor in excess of 2mm in size forms an expanding vascular network during tumor growth, VTAs could be effective against all types of solid tumors. Our scientists are doing preliminary studies on VTAs. The VTA technology was acquired in April of 1997 through our acquisition of Peregrine Pharmaceuticals, Inc.

- VEAs use vasoactive compounds (molecules that cause tissues to become more permeable) linked to monoclonal antibodies, such as the TNT antibody, to increase the vasoactive permeability at the tumor site and are believed to act by increasing the concentration of killing agents at the core of the tumor. In pre-clinical studies, our scientists were able to increase the uptake of drugs or isotopes within a tumor by between 150% and 420% if a vasoactive agent was given several hours prior to the therapeutic treatment. The therapeutic drug can be a chemotherapy drug, a radioactive isotope or other cancer fighting agent. This enhancement of toxic drug dosing is achieved by altering the physiology and, in particular, the permeability of the blood vessels and capillaries that serve the tumor. As the tumor vessels become more permeable, the amount of therapeutic treatment reaching the tumor cells increases.

RESULTS OF OPERATIONS. The Company's net loss of $4,435,000, before preferred stock discount accretion and dividends, for the quarter ended January 31, 1999 represents an increase in net loss of $1,474,000 in comparison to the net loss of $2,961,000 for the prior year quarter ended January 31, 1998. This increase in the net loss for the quarter ended January 31, 1999 is due to an increase in total costs and expenses of $1,496,000 offset by an increase in interest and other income of $22,000. The Company's net loss of $11,245,000 for the nine months ended January 31, 1999 represents an increased loss of $2,584,000 over the nine months ended January 31, 1998. The increased loss for the nine months ended January 31, 1999 is due to a $2,403,000 increase in total costs and expenses combined with a $181,000 decrease in interest and other income.

The Company's total costs and expenses increased approximately $1,496,000 during the three months ended January 31, 1999 compared to the three months ended January 31, 1998. This increase in total costs and expenses resulted primarily an increase in non-cash charges of $1,010,000 from the sale and disposal of property, of which $1,171,000 was recorded in December 1998 in connection with the sale and subsequent leaseback of the Company's two facilities. In addition, during the three months ended January 31, 1999, research and development expenses increased $295,000, general and administrative expenses increased $209,000, and interest expense decreased $18,000, in comparison to the three months ended January 31, 1998. The Company's total costs and expenses increased $2,403,000 for the nine months ended January 31, 1999 compared to the same period in the prior year. This nine-month increase resulted from a $1,056,000 increase in research and development expenses, a $1,016,000 increase in non-cash charges from the sale and disposal of property, a $116,000 increase in general and administrative expenses and a $215,000 increase in interest expense.

The increase in research and development expenses of approximately $295,000 and $1,056,000 during the three and nine months ended January 31, 1999, respectively, primarily relates to increased clinical trial costs associated with the Phase II/III clinical trials of Oncolym(R), the Phase I and Phase II clinical trials of Tumor Necrosis Therapy ("TNT") and the start-up costs to commence Phase I/II clinical trials of TNT in Mexico. The increase in clinical trial costs resulted from increased patient fees, manufacturing and radiolabeling costs, and travel and consulting fees. In addition, internal research and development activities increased, including activities related to manufacturing and radiopharmaceutical scale-up and increased efforts to validate the manufacturing facility which caused a corresponding increase in related costs.

The increase in general and administrative expenses of $209,000 during the quarter ended January 31, 1999 compared to the quarter ended January 31, 1998 resulted primarily from severance expenses associated with the Company's former Chief Executive Officer and former Vice President of Operations and Administration and increased legal fees associated with the sale and subsequent leaseback of the Company's facilities. Such increases were partially offset by a decrease in consulting fees, a decrease in insurance related costs and a decrease in stock-based compensation expense. General and administrative expenses increased approximately $116,000 for the nine months ended January 31, 1999 compared to the same period in the prior year. Such increase was primarily due to the aforementioned increase in severance expenses and legal fees associated with the sale and subsequent leaseback of the Company's facilities which were partially offset by a non-recurring Class C preferred stock penalty of $276,000 recorded in the nine months ended January 31, 1998 combined with a decrease in consulting fees associated with Peregrine Pharmaceuticals, Inc., a decrease in recruiting fees, a decrease in insurance related expenses and a decrease in stock-based compensation expense.

The increase in non-cash charges from the sale and disposal of property of $1,010,000 and $1,016,000 for the three and nine month periods ended January 31, 1999, respectively, compared to the same period in the prior year is primarily due to the non-cash loss of $1,171,000 recorded on the sale and subsequent leaseback of the Company's facilities in December 1998 with an unrelated entity (buyer/landlord). The aggregate sales price of the two facilities was $6,100,000, which was comprised of $4,175,000 in cash and a note receivable for $1,925,000. The leaseback is a Triple Net Lease, whereas the Company is responsible for all expenses incurred in the maintenance of the building including property taxes and insurance. The initial lease term is twelve years with two five-year extension options. The initial base rent is $56,250 per month, with rent increases of 3.35% every two years.

The decrease in interest expense of $18,000 for the three months ended January 31, 1999 compared to the same period in the prior year is primarily due to a lower level of interest bearing debt outstanding during the quarter. The lower level of debt outstanding is due to the payoff of building debt in conjunction with the sale and subsequent leaseback of the Company's facilities in December 1998. The increase in interest expense of $215,000 for the nine months ended January 31, 1999 compared to the same period in the prior year is primarily due to interest incurred on construction loans owed to one of the Company's contractors related to enhancements to the Company's manufacturing facility. For the nine months ended January 31, 1999, approximately $115,000 was included in interest expense for the estimated fair value of 335,000 warrants granted to the above contractor for an extension of time to pay the outstanding construction loans. The construction loans were paid in full in August 1998.

The increase in interest and other income of $22,000 during the three months ended January 31, 1999 compared to the same period in the prior year is primarily due to initial funding received of $67,000 during the quarter ended January 31, 1999 from an unrestricted $200,000 grant from an unrelated entity to perform TNT clinical trials in Mexico. This unrestricted grant of $67,000 was offset by a decrease in interest income $45,000. The decrease in interest and other income for the nine months ended January 31, 1999 of $181,000 compared to the same period in the prior year, is primarily attributable to a decrease in interest income of $236,000 and a decrease in other income of $12,000 offset by an increase in grant funding of $67,000 to perform TNT clinical trials in Mexico. Interest income decreased during the three and nine month periods ended January 31, 1999 due to a lower level of cash funds available for investment. Interest income is not expected to be significant during the remainder of the fiscal year due to the expected level of future cash balances. The Company does not expect to generate product sales for at least the next year.

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

LIQUIDITY AND CAPITAL RESOURCES. At January 31, 1999, we had $240,000 in cash and cash equivalents and a working capital deficit of $1,676,000. We experienced losses in fiscal 1998 and during the first nine months of fiscal 1999 and had an accumulated deficit of approximately $84,429,000 at January 31, 1999. On February 2, 1999, we exercised a put option and received gross proceeds of $2,250,000 in exchange for 2,869,564 shares of common stock pursuant to a Regulation D Common Stock Equity Line Subscription Agreement the (the "Equity Line Agreement"). In addition, on March 8, 1999, we entered into a licensing agreement with an unrelated entity for the licensing of Oncolym(R) in exchange for an up-front payment of $3,000,000. We believe we have sufficient cash on hand and available pursuant to the Equity Line Agreement (assuming only one future quarterly draw of $2,250,000 in May 1999) to meet our obligations on a timely basis through June 1999. We also believe that additional capital must be raised to support the Company's continued operations and other short-term cash needs.

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

We have significant commitments to expend additional funds for radiolabeling contracts, license contracts, severance arrangements and consulting. We expect operating expenditures related to clinical trials to increase in the future as our clinical trial activity increases and scale-up for clinical trial production continues. We have experienced negative cash flows from operations since our inception and we expect the negative cash flow from operations to continue for the foreseeable future. We expect that the monthly negative cash flow will continue for at least the next year as a result of increased activities in connection with the Phase II/III clinical trials for Oncolym(R), the Phase I and Phase II clinical trials of TNT, the Phase I/II clinical trials of TNT in Mexico and the development costs associated with Vasopermeation Enhancement Agents ("VEAs") and Vascular Targeting Agents ("VTAs"). We believe that it will be necessary for us to raise additional capital to sustain research and development and provide for future clinical trials. Additional funds must be raised to continue our operations until we are able to generate sufficient additional revenue from the sale and/or licensing of our products. There can be no assurance that we will be successful in raising such funds on terms acceptable to us, or at all, or that sufficient capital will be raised to complete the research and development of our product candidates.

The increased clinical trial activities and the manufacturing and radiolabeling scale-up efforts have impacted the Company's losses and cash consumption rate ("burn rate"). We believe we can only reduce the burn rate significantly if we reduce programs substantially or delay clinical trials and continued development of the scale-up efforts. We believe that we will continue to experience losses and negative cash flow from operations for the foreseeable future as we increase activities associated with the Phase II/III clinical trials for Oncolym(R), the Phase I and Phase II clinical trials for TNT and the Phase I/II clinical trials of TNT in Mexico and activities associated with our research and development of our other technologies.

COMMITMENTS. At January 31, 1999, we had fixed commitments of approximately $1,540,000 related to radiolabeling contracts, severance arrangements, employment agreements and consulting agreements. In addition, we have additional significant obligations, most of which are contingent, for payments to licensors for its technologies and in connection with the acquisition of the Oncolym(R) rights previously owned by Alpha Therapeutic Corporation ("Alpha") and Biotechnology Development Ltd. ("BTD").

On March 8, 1999, the Company entered into a Termination Agreement with Biotechnology Development, Ltd. ("BTD"), pursuant to which the Company terminated all previous agreements with BTD and thereby reacquired the marketing rights to LYM products in Europe and certain other designated foreign countries, in exchange for (i) the issuance to BTD of a Secured Promissory Note in the principal face amount of $3,300,000 bearing simple interest at the rate of ten percent (10%) per annum, with interest payable monthly in advance and the full principal amount due and payable on March 1, 2001, (ii) the issuance of warrants to purchase up to 3,700,000 shares of Common Stock at an exercise price of $3.00 per share exercisable for a period of three (3) years, (iii) the issuance of warrants to purchase up to 1,000,000 shares of Common Stock at an exercise price of $5.00 per share exercisable for a period of five (5) years and (iv) the issuance of shares of Common Stock equal in value to $1,200,000, based on a value per share equal to ninety percent (90%) of the market price of the common stock. Pursuant to a related Security Agreement, the Company granted a security interest to BTD in and to all assets of the Company, excluding inventory, furniture, fixtures and equipment which are used in the commercialization of Oncolym(R) which are not located on the Company's Tustin, California premises or which serve as security to any other entity and further excluding any and all intangible property and intellectual property of the Company and any and all rights with respect thereto and any goodwill associated therewith.

Also on March 8, 1999, the Company entered into a License Agreement with Schering AG, Germany. Under the terms of the agreement, Schering AG, Germany was granted the exclusive, worldwide right to market and distribute LYM products in exchange for an initial payment of $3,000,000 which the Company received upon execution of the agreement, a further payment of $2,000,000 following the acceptance by the FDA for filing of the first drug approval application for Oncolym(R) in the United States, a further payment of $7,000,000 following regulatory approval of Oncolym(R) in the United States and two final payments of $2,500,000 each following regulatory approval of Oncolym(R) in any country in Europe and upon the first commercial sale of Oncolym(R) in any country in Europe. The Company will also receive a royalty equal to twelve percent (12%) of net sales of Oncolym(R) products (which is subject to reduction, on a country-by-country basis, to six percent (6%) if there is a generic form of the Oncolym(R) product being sold in such country), which may be reduced by one percentage point if the FDA does not consent to an extension of the existing Phase II trials of Oncolym(R) as a Phase III clinical trial by June 30, 1999. Pursuant to the terms of the agreement, the Company is required to pay for all pre-clinical expenses up to $500,000 incurred after March 8, 1999, and fifty percent (50%) of all such expenses incurred in excess of $500,000, with the other fifty percent of such expenses to be paid by Schering AG, Germany. The Company is also required to pay for twenty percent (20%) of the clinical development expenses and existing trial expenses associated with Oncolym(R), and Schering AG, Germany is required to pay for the other eighty percent (80%) of such expenses. Each party will pay for all of its internal costs relating to existing trials. Pursuant to the agreement, the Company and Schering AG, Germany have also agreed to a structure for proceeding with negotiations concerning the terms of a possible licensing of the Company's VTA technology in the near future. The continued effectiveness of the agreement with Schering AG, Germany is subject to certain other conditions and may be terminated by Schering AG, Germany if (i) there are issues of safety or patient tolerability, (ii) Schering AG, Germany determines in its reasonable scientific or business discretion prior to receiving regulatory approval that the Oncolym(R) product is not acceptable for reasons of efficacy or risk/benefit therapeutic ratio, (iii) the FDA does not permit the extension or conversion of the Phase II trials of Oncolym(R) as a Phase III clinical trial by June 30, 1999, (iv) Schering AG, Germany determines, using its reasonable judgment based on data from or the results of the first Phase III clinical trials of Oncolym(R) that such results do not support the submission of Oncolym(R) for regulatory approval, (v) the Company fails to deliver or it becomes reasonably clear that the Company will fail to deliver in time appropriate quantities of clinical supplies of antibody or Oncolym(R) product such that the clinical development of Oncolym(R) will be delayed by

three (3) months or more, (vi) if the Company has not concluded a definitive agreement providing for a radiolabeling site for the production of Oncolym(R) products by September 1, 1999, or (vii) at any time after receiving regulatory approval upon twelve months notice to the Company. However, if the agreement is terminated by Schering AG, Germany due to issues of safety or patient tolerability, or Schering AG, Germany determines in its reasonable scientific or business discretion prior to receiving regulatory approval that the Oncolym(R) product is not acceptable for reasons of efficacy or risk/benefit therapeutic ratio or determines, using its reasonable judgment based on data from or the results of the first Phase III clinical trials of Oncolym(R), that such results do not support the submission of Oncolym(R) for regulatory approval, Schering AG, Germany will remain obligated to pay for 80% of the non-cancellable third party costs in regard to clinical trials underway at the time of such termination, up to $1,500,000 (other than a termination after receiving regulatory approval). Schering AG, Germany may also terminate the agreement upon thirty days' written notice given at any time prior to receiving regulatory approval, but will remain obligated to pay for all of the costs of completing all then ongoing clinical trials for Oncolym(R), up to $3,000,000.

OTHER RISK FACTORS OF OUR COMPANY

OUR OPERATING RESULTS MAY FLUCTUATE SIGNIFICANTLY. Our actual operating results may fluctuate significantly in the future. Many factors may cause these fluctuations, including worldwide economic and political conditions and industry specific factors. If we are to remain competitive, we must develop and produce commercially viable products at competitive prices in a timely manner, and must maintain access to external financing sources until we can generate revenue from licensing transactions or sales of products. Our ability to obtain financing and to manage expenses and our cash depletion rate ("burn rate") is the key to the continued development of product candidates and the completion of ongoing clinical trials. Our burn rate will vary substantially from quarter to quarter as we fund non-recurring items associated with clinical trials, product development, antibody manufacturing and radiolabeling expansion and scale-up, patent legal fees and various consulting fees. We have limited experience with clinical trials and if we encounter unexpected difficulties with our operations or clinical trials, we may have to expend additional funds, which would increase our burn rate.

WE ARE IN THE EARLY STAGES OF PRODUCT DEVELOPMENT. Since our inception, we have been engaged in the development of drugs and related therapies for the treatment of people with cancer. Our product candidates are generally in the early stages of development, with only two product candidates currently in clinical trials. Revenues from product sales have been insignificant and throughout our history there have been minimal revenues from product royalties. If the initial results from any of the clinical trials are poor, those results will adversely effect our ability to raise additional capital, which will affect our ability to continue full-scale research and development for our antibody technologies. In addition, product candidates resulting from our research and development efforts, if any, are not expected to be available commercially for at least the next year. We cannot guarantee that our product development efforts, including clinical trials, will be successful, that required regulatory approvals for the indications being studied can be obtained, that our product candidates can be manufactured and radiolabeled at an acceptable cost and with appropriate quality or that any approved products can be successfully marketed.

WE WILL REQUIRE ADDITIONAL CAPITAL IN THE FUTURE. We have expended, and will continue to expend, substantial funds on the development of our product candidates and for clinical trials. As a result, we have experienced negative cash flows from operations since inception and expect the negative cash flow from operations to continue for the foreseeable future. We currently have commitments to expend additional funds for radiolabeling contracts, license contracts, severance arrangements, employment agreements, consulting agreements, and for the repurchase of Oncolym(R) marketing rights from Alpha Therapeutic Corporation and Biotechnology Development, Ltd. We expect operating expenditures related to clinical trials to increase in the future as clinical trial activity increases and scale-up for clinical trial production continues. As activities in connection with the Phase II/III clinical trials for Oncolym(R) and the Phase II clinical trials for TNT increase and the development costs associated with VEAs and VTAs increase, we expect that the monthly negative cash flow will continue. Without obtaining additional financing and/or negotiating additional licensing or collaboration agreements with other companies, we expect that current sources of financing available to us will be sufficient to fund our operations and to meet our obligations on a timely basis through June 1999. Our ability to access funds under our Regulation D Common Stock Equity Line Subscription Agreement with two institutional investors is subject to the satisfaction of certain conditions and the failure to satisfy these conditions may limit or preclude our ability to access such funds, which could negatively affect our financial position unless additional financing sources are available.

We will require additional funds to sustain our research and development efforts, provide for future clinical trials, expand our manufacturing and radiolabeling capabilities, and continue our operations until we able to generate sufficient revenue from the sale and/or licensing of our products. We will need to obtain additional funding through one or more methods including obtaining additional equity or debt financing and/or negotiating additional licensing or collaboration agreement with another company. We cannot be certain whether we can obtain the required additional funding on terms satisfactory to us, if at all. If we do raise additional funds through the issuance of equity or convertible debt securities, your stock ownership will be diluted. Further, these new securities may have rights, preferences or privileges senior to yours. If we are unable to raise additional funds when necessary, we may have to reduce or discontinue development or clinical testing of some or all of our product candidates or enter into financing arrangements on terms which we would not otherwise accept.

WE HAVE HAD SIGNIFICANT LOSSES AND ANTICIPATE FUTURE LOSSES. We have experienced significant losses since inception. As of January 31, 1999, our accumulated deficit was approximately $84,429,000. We expect to incur significant additional operating losses in the future and expect cumulative losses to increase substantially due to expanded research and development efforts, preclinical studies and clinical trials, and scale-up of manufacturing and radiolabeling capabilities. We expect losses to fluctuate substantially from quarter to quarter. All of our products are currently in development, preclinical studies or clinical trials, and no significant revenues have been generated from product sales. To achieve and sustain profitable operations, we must successfully develop and obtain regulatory approval for our products, either alone or with others, and must also manufacture, introduce, market and sell our products. The time frame necessary to achieve market success for our products is long and uncertain. We do not expect to generate significant product revenues for the next year. There can be no guarantee that we will ever generate product revenues sufficient to become profitable or to sustain profitability.

THE VIABILITY OF OUR TECHNOLOGY AND PRODUCTS IS UNCERTAIN. Our future success is significantly dependent on our ability to develop and test workable products for which we will seek FDA approval to market to certain defined patient groups. There is a significant risk as to the performance and commercial success of our technology and products. The products we are currently developing will require significant additional laboratory and clinical testing and investment over the foreseeable future. Although we are optimistic that we will be able to complete development of one or more products, there are many risk and uncertainties inherent in developing pharmaceutical products. For example:

- Our research and development activities may not be successful;
- Our proposed products may not prove to be effective in clinical trials;
- Patient enrollment in the clinical trials may be delayed or prolonged significantly, thus delaying the trials;
- Our product candidates may cause harmful side effects during clinical trials;
- Our product candidates may take longer than anticipated to progress through clinical trials;
- Our product candidates may prove impracticable to manufacture in commercial quantities at a reasonable cost and/or with acceptable quality;
- Our competitors may produce products which are superior to our products;
- We may not be able to obtain all necessary governmental clearances and approvals to market our products;
- Our product candidates may not prove to be commercially viable or successfully marketed; and
- We may encounter unanticipated problems, including development, manufacturing, distribution, financing and marketing difficulties.

Any of these factors could negatively affect our financial position and results of operations.

WE HAVE LIMITED DATA TO DATE WITH RESPECT TO OUR PRODUCT CANDIDATES. The results of initial preclinical and clinical testing of the products we are currently developing are not necessarily indicative of results that will be obtained from subsequent or more extensive preclinical studies and clinical testing. The clinical data gathered to date with respect to Oncolym(R) are primarily from a Phase II dose escalation trial, which was designed to develop and refine the therapeutic protocol to determine the maximum tolerated dose of total body radiation and to assess the safety and efficacy profile of a treatment with a radiolabeled antibody. Further, the data from this Phase II dose escalation trial was compiled from testing conducted at a single site and with a relatively small number of patients. We will need to do substantial additional development and clinical testing prior to seeking any regulatory approval for commercialization of Oncolym(R). There can be no guarantee that clinical trials of Oncolym(R), TNT or other product candidates under development will demonstrate the safety and efficacy of such products to the extent necessary to obtain regulatory approvals for the indications being studied, or at all. Companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier trials. The failure to adequately demonstrate the safety and efficacy of Oncolym(R), TNT or any other therapeutic product under development could delay or prevent regulatory approval of the product, which would negatively affect our financial position and results of operations.

THERE ARE MANY RISKS ASSOCIATED WITH OBTAINING REGULATORY APPROVALS. Testing, manufacturing, radiolabeling, advertising, promotion, export and marketing, among other things, of our proposed products are subject to extensive regulation by governmental authorities in the United States and other countries. In the United States, pharmaceutical products are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act and other laws, including, in the case of biologics, the Public Health Service Act. We presently believe that our products will be regulated by the FDA as biologics. Manufacturers of biologics may also be subject to state regulation.

There are numerous steps required before a biologic may be approved for marketing in the United States, generally including:

- preclinical laboratory tests and animal tests;
- submission to the FDA of an Investigational New Drug ("IND") application for human clinical testing, which must become effective before human clinical trials may commence;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the product;
- submission to the FDA of a Product License Application ("PLA") or a Biologics License Application ("BLA");
- submission to the FDA of an Establishment License Application ("ELA");
- FDA review of the ELA and the PLA or BLA; and
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the product is made to assess compliance with Current Good Manufacturing Practices ("CGMP").

The testing and approval process requires substantial time, effort and financial resources and we cannot guarantee that any approval will be granted on a timely basis, if at all. We cannot guarantee that Phase I, Phase II or Phase III testing will be completed successfully within any specific time period, if at all, with respect to any of our product candidates. Furthermore, the FDA may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

The results of preclinical and clinical studies, together with detailed information on the manufacture and composition of a product candidate, are submitted to the FDA as a PLA or BLA requesting approval to market the product candidate. Before approving a PLA or BLA, the FDA will inspect the facilities at which the product is manufactured, and will not approve the marketing of the product candidate unless CGMP compliance is satisfactory. The FDA may deny a PLA or BLA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require post-marketing testing and surveillance to monitor the safety or efficacy of a product. There can be no assurance that approval of any PLA or BLA we submit will be granted by the FDA on a timely basis or at all. Also, if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which it may be marketed.

Both before and after FDA approval is obtained, violations of regulatory requirements, including the preclinical and clinical testing process, or the PLA or BLA review process may result in various adverse consequences, including the FDA's delay in approving or refusing to approve a product, withdrawal of an approved product from the market and/or the imposition of criminal penalties against the manufacturer and/or license holder. For example, license holders are required to report certain adverse reactions to the FDA, and to comply with certain requirements concerning advertising and promotional labeling for their products. Also, quality control and manufacturing procedures must continue to conform to CGMP regulations after approval, and the FDA periodically inspects manufacturing facilities to assess compliance with CGMP. Accordingly, manufacturers must continue to expend time, monies and effort in the area of production and quality control to maintain CGMP compliance. In addition, discovery of problems may result in restrictions on a product and/or its manufacturer, including withdrawal of the product from the market. Also, new government requirements may be established that could delay or prevent regulatory approval of our product candidates.

We will also be subject to a variety of foreign regulations governing clinical trials and sales of our products. Whether or not FDA approval has been obtained, approval of a product candidate by the comparable regulatory authorities of foreign countries must be obtained prior to the commencement of marketing of the product in those countries. The approval process varies from country to country and the time may be longer or shorter than that required for FDA approval. At least initially, we intend, to the extent possible, to rely on licensees to obtain regulatory approval for marketing our products in foreign countries.

THERE ARE MANY RISKS ASSOCIATED WITH THE COMMERCIAL PRODUCTION OF OUR PRODUCTS. In order to conduct clinical trials on a timely basis, obtain regulatory approval and be commercially successful, we must scale-up our manufacturing and radiolabeling processes so that those product candidates can be manufactured and radiolabeled in commercial quantities. To date, we have expended significant funds for the scale-up of our antibody manufacturing capabilities for clinical trial requirements for our Oncolym(R) and TNT product candidates and for refinement of the radiolabeling processes. We intend to use existing antibody manufacturing capacity to meet the clinical trial requirements for our Oncolym(R) and TNT product candidates and to support the initial commercialization of Oncolym(R). In order to provide additional capacity, we must successfully negotiate an agreement with contract antibody manufacturers to have these products produced, the cost of which is estimated to be approximately one to three million dollars in start-up costs and additional production costs on a "per run basis". We believe we can successfully negotiate an agreement with one or more contract radiolabeling companies to provide radiolabeling services to meet commercial demands. Such a contract would, however, require a substantial investment (estimated at five to nine million dollars over the next two years) for equipment and related production area enhancements required by these vendors, and for vendor services associated with technology transfer assistance, scale-up and production start-up, and for regulatory assistance. We anticipate that production of our products in commercial quantities will create technical and financial challenges. We have limited manufacturing experience, and cannot make any guarantee as to our ability to scale-up our manufacturing operations, the suitability of our present facility for clinical trial production or commercial production, our ability to make a successful transition to commercial production and radiolabeling or our ability to reach an acceptable agreement with one or more contract manufacturers to produce and radiolabel Oncolym(R), TNT, or any of our other product candidates, in clinical or commercial quantities. Our failure to scale-up manufacturing and radiolabeling for clinical trial or commercial production or to obtain contract manufacturers, could negatively affect our financial position and results of operations.

THERE ARE SUBSTANTIAL SHARES ELIGIBLE FOR FUTURE SALE; THE SALE OF SUCH SHARES MAY DEPRESS OUR STOCK PRICE. As of February 28, 1999, we had 70,898,581 shares of Common Stock outstanding. We will issue additional shares of Common Stock and/or warrants to purchase shares of Common Stock under the following agreements:

- 5% Adjustable Convertible Class C Preferred Stock ("Class C Stock");
- Regulation D Common Stock Equity Line Subscription Agreement ("Equity Line Agreement") and a related Placement Agent Agreement;
- Biotechnology Development, Ltd. Termination Agreement; and
- other Option and Warrant Agreements.

CLASS C STOCK. Of the 70,898,581 shares of Common Stock outstanding as of February 28, 1999, from September 26, 1997 (the date the Class C Stock became convertible into Common Stock) through February 28, 1999, we issued 30,865,164 shares of Common Stock in conjunction with the conversion of the Class C Stock (including shares of Class C Stock issued as dividends shares and penalty shares) and the exercise of warrants to purchase shares of Common Stock (the "Class C Warrants") for gross proceeds of approximately $15,641,000. The Class C Warrants were issued to holders of Class C Stock in conjunction with the conversion of the Class C Stock pursuant to the terms of the Company's agreement with the holders of the Class C Stock. From September 26, 1997, the date on which the Class C Stock was first convertible, through March 1998, the price of the Common Stock steadily declined while the average trading volume increased significantly. As of February 28, 1999, there were 121 shares of Class C Stock outstanding and Class C Warrants outstanding to purchase up to 35,244 shares of Common Stock. If the 121 shares of Class C Stock outstanding as of February 28, 1999 were converted, we would be required to issue approximately 203,000 shares of Common Stock (based on a conversion price of $0.5958 per share of Common Stock) and Class C Warrants to purchase up to an aggregate of approximately 51,000 shares of Common Stock at an exercise price of $0.6554 per share.

EQUITY LINE AGREEMENT. As of February 28, 1999, we have issued an aggregate of 5,789,506 shares of Common Stock and warrants to purchase up to an additional 566,953 shares of Common Stock at an average exercise price of $1.23 per share under the Equity Line Agreement and related Placement Agent Agreement for gross proceeds of $5.75 million. Pursuant to the Equity Line Agreement, and assuming a 10-day low closing bid price of $1.00 per share (which allows us to sell the maximum number of shares of Common Stock), we may, at our option, sell to the institutional investors up to an additional 17,812,500 shares of Common Stock and warrants to purchase up to an additional 1,781,250 shares of Common Stock for gross proceeds of $14,250,000. In addition, we may be obligated to issue for no additional consideration up to 1,876,704 shares of Common Stock and warrants to purchase up to 178,125 shares of Common Stock pursuant to the Placement Agent Agreement. The shares of Common Stock will be issued and sold to the institutional investors at a discount to the 10-day low closing bid price of the Common Stock prior to the sale equal to the greater of twenty cents ($0.20) per share or a 17.5% discount to the 10-day low closing bid price of the Common Stock. In addition, we may be obligated to issue to the institutional investors an aggregate of up to 954,545 shares of Common Stock on April 15, 1999 and July 15, 1999 upon adjustment of the purchase price of the shares of Common Stock sold to the institutional investors. We will not receive any proceeds from the exercise of warrants under the Equity Line Agreement or the Placement Agent Agreement to purchase shares of Common Stock, which may only be exercised pursuant to a cashless exercise.

BIOTECHNOLOGY DEVELOPMENT LTD. TERMINATION AGREEMENT. On March 8, 1999, the Company entered into a Termination Agreement with Biotechnology Development, Ltd. ("BTD"), pursuant to which the Company terminated all previous agreements with BTD and thereby reacquired the marketing rights to LYM products in Europe and certain other designated foreign countries, in exchange for (i) the issuance to BTD of a Secured Promissory Note in the principal face amount of $3,300,000 bearing simple interest at the rate of ten percent (10%) per annum, with interest payable monthly in advance and the full principal amount due and payable on March 1, 2001, (ii) the issuance of warrants to purchase up to 3,700,000 shares of Common Stock at an exercise price of $3.00 per share exercisable for a period of three (3) years (iii) the issuance of warrants to purchase up to 1,000,000 shares of Common Stock at an exercise price of $5.00 per share exercisable for a period of five (5) years and (iv) the issuance of shares of Common Stock equal in value to $1,200,000, based on a value per share equal to ninety percent (90%) of the market price of the Common Stock.

OTHER OPTION AND WARRANT AGREEMENTS. In addition to the Class C Warrants, the warrants issued and to be issued under the Equity Line Agreement and the Placement Agent Agreement and the warrants issued to BTD under the Termination Agreement, at February 28, 1999, there were outstanding warrants and options to employees, directors, consultants and other parties to issue approximately 8,453,000 shares of Common Stock at an average exercise price of $1.17 per share.

The sale and issuance of shares of Common Stock pursuant to the Equity Line Agreement and related Placement Agent Agreement and pursuant to the Termination Agreement may cause the market price of the Common Stock to fall and might also make it more difficult for us to sell equity or equity-related securities in the future, whether pursuant to the Equity Line Agreement or otherwise. The issuance of shares of Common Stock upon conversion of the remaining Class C Stock and upon exercise of the Class C Warrants, the warrants issued to BTD and the warrants issued and to be issued under the Equity Line Agreement, and such other outstanding warrants and options, as well as subsequent sales of shares of Common Stock in the open market, could also cause the market price of the Common Stock to fall and impair our ability to raise additional capital.

OUR STOCK PRICE AND TRADING VOLUME HAVE BEEN HIGHLY VOLATILE. The market price of the Common Stock, and the market prices of securities of companies in the biotechnology industry generally, have been highly volatile and is likely to continue to be highly volatile. Also, the trading volume in the Common Stock has been highly volatile, ranging from as few as 89,000 shares per day to as many as 19 million shares per day over the past year, and is likely to continue to be highly volatile. The market price of the Common Stock may be significantly impacted by, for example:

- Announcements of technological innovations or new commercial products by us or our competitors;
- Developments or disputes concerning patent or proprietary rights;
- Publicity regarding actual or potential medical results relating to products under development by us or our competitors;
- Regulatory developments in both the United States and foreign countries;
- Public concern as to the safety of biotechnology products;
- Economic and other external factors; and
- Period-to-period fluctuations in financial results.

THERE ARE RISKS RELATED TO SECURITIES LISTED ON THE NASDAQ SMALLCAP MARKET AND LOW-PRICED SECURITIES. The Common Stock is presently traded on The Nasdaq SmallCap Market. To maintain inclusion on The Nasdaq SmallCap Market, the Common Stock must continue to be registered under Section 12(g) of the Exchange Act, and we must continue to have either net tangible assets of at least $2,000,000, market capitalization of at least $35,000,000, or net income (in either our latest fiscal year or in two of our last three fiscal years) of at least $500,000. In addition, we must meet other requirements, including, but not limited to, having a public float of at least 500,000 shares and $1,000,000, a minimum closing bid price of $1.00 per share of Common Stock (without falling below this minimum bid price for a period of 30 consecutive business days), at least two market makers and at least 300 stockholders, each holding at least 100 shares of Common Stock. For the period of January 29, 1998 through May 4, 1998, we failed to maintain a $1.00 minimum closing bid price. From May 5, 1998, through September 2, 1998, we met this requirement. However, at various times since September 2, 1998, we have failed to maintain a $1.00 minimum closing bid price and expect the closing bid price of the Common Stock to fall below the $1.00 minimum bid requirement from time to time in the future. If we fail to meet the minimum closing bid price of $1.00 for a period of 30 consecutive business days, we will be notified by The Nasdaq Stock Market and will then have a period of 90 calendar days from such notification to achieve compliance with the applicable standard by meeting the minimum closing bid price requirement for at least 10 consecutive business days during such 90 day period. We cannot guarantee that we will be able to maintain these requirements in the future. If we fail to meet The Nasdaq SmallCap Market listing requirements, the market value of the Common Stock could fall and holders of Common Stock would likely find it more difficult to dispose of and to obtain accurate quotations as to the market value of the Common Stock. In addition, if the minimum closing bid price of the Common Stock is not at least $1.00 per share for 10 consecutive business days before we make a call for proceeds under our Regulation D Common Stock Equity Line Subscription Agreement with two institutional investors or if the Common Stock ceases to be included on The Nasdaq SmallCap Market, we would have limited or no access to funds under the Regulation D Common Stock Equity Line Subscription Agreement.

If the Common Stock ceases to be included on The Nasdaq SmallCap Market, the Common Stock could become subject to rules adopted by the SEC regulating broker-dealer practices in connection with transactions in "penny stocks." Penny stocks generally are equity securities with a price per share of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on The Nasdaq Stock Market, provided that current price and volume information with respect to transactions in these securities is provided). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its sales person in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to these penny stock rules. If the Common Stock becomes subject to the penny stock rules, investors may be unable to readily sell their shares of Common Stock.

OUR INDUSTRY IS HIGHLY COMPETITIVE. The biotechnology industry is intensely competitive. It is also subject to rapid change and sensitive to new product introductions or enhancements. We expect to continue to experience significant and increasing levels of competition in the future. Virtually all of our existing competitors have greater financial resources, larger technical staffs, and larger research budgets than we have and greater experience in developing products and running clinical trials. Two of our competitors, Idec Pharmaceuticals Corporation and Coulter Pharmaceuticals, Inc., each has a lymphoma antibody that may compete with our Oncolym(R) product. Idec Pharmaceuticals Corporation is currently marketing its lymphoma product for low grade non-Hodgkins Lymphoma and we believe that Coulter Pharmaceuticals, Inc. will be marketing its respective lymphoma product prior to the time our Oncolym(R) product will be submitted to the FDA for marketing approval. Coulter Pharmaceuticals, Inc. has also announced that it intends to seek to conduct clinical trials of its antibody treatment for intermediate and/or high grade non-Hodgkins lymphomas. There are several companies in preclinical studies with angiogenesis technologies which may compete with our VTA technology. In addition, there may be other companies which are currently developing competitive technologies and products or which may in the future develop technologies and products which are comparable or superior to our technologies and products. Some or all of these companies may also have greater financial and technical resources than we have. Accordingly, we cannot assure you that we will be able to compete successfully or that competition will not negatively affect our financial position or results of operations. In addition, we cannot assure you that our existing and future competitors will not develop products which compete with our other product candidates.

THERE ARE MANY RISKS AND UNCERTAINTIES ASSOCIATED WITH CLINICAL TRIALS. We have limited experience in conducting clinical trials. The rate of completion of our clinical trials will depend on, among other factors, the rate of patient enrollment. Patient enrollment is a function of many factors, including the nature of clinical trial protocols, the existence of competing protocols, the size of the patient population, the proximity of patients to clinical sites and the eligibility criteria for the study. Delays in patient enrollment will result in increased costs and delays, which could negatively affect our financial position and results of operations. We cannot assure you that patients enrolled in our clinical trials will respond to our product candidates. In fact, setbacks are to be expected in conducting human clinical trials. In addition, our failure to comply with FDA regulations applicable to this testing could result in substantial delays, suspension or cancellation of the testing, or refusal by the FDA to accept the results of the testing. The FDA may suspend clinical trials at any time if it concludes that the subjects or patients participating in such trials are being exposed to unacceptable health risks. We also cannot assure you that human clinical testing will show any current or future product candidates to be safe or effective or that data derived from the testing will be suitable for submission to the FDA. Any suspension or delay of any of the clinical trials could negatively affect our financial position and results of operations.

MARKET ACCEPTANCE OF OUR PRODUCTS IS UNCERTAIN. Even if our products are approved for marketing by the FDA and other regulatory authorities, we cannot guarantee that our products will be commercially successful. If our products currently in clinical trials, Oncolym(R) and TNT, are approved, they would represent a departure from more commonly used methods for cancer treatment. Accordingly, Oncolym(R) and TNT may experience under-utilization by oncologists and hematologists who are unfamiliar with the application of Oncolym(R) and TNT in the treatment of cancer. As with any new drug, doctors may be inclined to continue to treat patients with conventional therapies, in most cases chemotherapy, rather than new alternative therapies. We or our marketing partner will be required to implement an aggressive education and promotion plan with doctors in order to gain market recognition, understanding and acceptance of our products. Market acceptance also could be affected by the availability of third party reimbursement. Failure of Oncolym(R) or TNT to achieve market acceptance would negatively affect our financial position and results of operations.

WE ARE DEPENDENT ON A LIMITED NUMBER OF PROVIDERS OF RADIOLABELING SERVICES. We currently procure, and intend in the future to procure, our radiolabeling services pursuant to negotiated contracts with two domestic entities and one European entity. We cannot guarantee that these suppliers will be able to qualify their facilities or label and supply antibody in a timely manner, if at all, or that governmental clearances will be provided in a timely manner, if at all, or that clinical trials will not be delayed or disrupted. Prior to commercial distribution, we will be required to identify and contract with a commercial radiolabeling company for commercial services. We are presently in discussions with a few companies to provide commercial radiolabeling services. A commercial radiolabeling service agreement will require us to make a substantial investment of funds. We currently rely on, and expect in the future to rely on, our current suppliers for all or a significant portion of our requirements for the Oncolym(R) and TNT antibody products. Radiolabeled antibody cannot be stockpiled against future shortages due to the eight-day half-life of the I131 radioisotope. Accordingly, any change in our existing or future contractual relationships with, or an interruption in supply from, any third-party supplier could negatively impact our ability to complete ongoing clinical trials and to market the Oncolym(R) and TNT antibodies, if approved, which would negatively affect our financial position and results of operations.

THERE ARE RISKS ASSOCIATED WITH THE MANUFACTURING AND USE OF HAZARDOUS AND RADIOACTIVE MATERIALS. The manufacturing and use of Oncolym(R) and TNT require the handling and disposal of the radioactive isotope I131. We currently rely on, and intend in the future to rely on, our current contract manufacturers to radiolabel antibodies with I131 and to comply with various local, state and or national and international regulations regarding the handling and use of radioactive materials. Violation of these local, state, national or international regulations by these radiolabeling companies or a clinical trial site could significantly delay completion of the trials. Violations of safety regulations could occur with these manufacturers, so there is also a risk of accidental contamination or injury. Accordingly, we could be held liable for any damages that result from an accident, contamination or injury caused by the handling and disposal of these materials, as well as for unexpected remedial costs and penalties that may result from any violation of applicable regulations, which could negatively affect our financial position and results of operations. In addition, we may incur substantial costs to comply with environmental regulations. In the event of any noncompliance or accident, the supply of Oncolym(R) and TNT for use in clinical trials or commercially could be interrupted, which could negatively impact our financial position and results of operations.

WE ARE DEPENDENT ON THIRD PARTIES FOR COMMERCIALIZATION. We intend to sell our products in the United States and internationally in collaboration with one or more marketing partners. At the present time, we do not have a sales force to market Oncolym(R) or TNT, or any other product. If and when the FDA approves Oncolym(R) or TNT, the marketing of Oncolym(R) and TNT will be contingent upon our ability to either license or enter into a marketing agreement with a large company or our ability to recruit, develop, train and deploy our own sales force. We do not presently possess the resources or experience necessary to market Oncolym(R), TNT or any other product candidates. Other than an agreement with Schering AG, Germany with respect to the marketing of Oncolym(R), we presently have no agreements for the licensing or marketing of our product candidates, and we cannot assure you that we will be able to enter into any such agreements in a timely manner or on commercially favorable terms, if at all. Development of an effective sales force requires significant financial resources, time and expertise. We cannot assure you that we will be able to obtain the financing necessary or to establish such a sales force in a timely or cost effective manner, if at all, or that such a sales force will be capable of generating demand for our product candidates.

OUR SUCCESS IS DEPENDENT ON OBTAINING AND MAINTAINING PATENTS AND LICENSES TO PATENTS. Our success depends, in large part, on our ability to obtain or maintain a proprietary position in our products through patents, trade secrets and orphan drug designations. We have been granted several United States patents and have submitted several United States patent applications and numerous corresponding foreign patent applications, and have also obtained licenses to patents or patent applications owned by other entities. However, we cannot assure you that any of these patent applications will be granted or that our patent licensors will not terminate any of our patent licenses. We also cannot guarantee that any issued patents will provide competitive advantages for our products or that any issued patents will not be successfully challenged or circumvented by our competitors. The patent position worldwide of biotechnology companies in relation to proprietary products is highly uncertain and involves complex legal and factual questions. Moreover, any patents we or our licensors are granted may be infringed by others or may not be enforceable against others. We cannot assure you that any of our or our licensors' patents would be held valid or enforceable by a court of competent jurisdiction. Although we believe that our patents and our licensors' patents do not infringe on any third party's patents, we cannot be certain that we will not become involved in litigation involving patents or other proprietary rights. Patent and proprietary rights litigation entails substantial legal and other costs, and we do not know if we will have the necessary financial resources to defend or prosecute our rights in connection with any litigation. Responding to, defending or bringing claims related to patents and other intellectual property rights may require our management to redirect our human and monetary resources to address these claims and may take several years to resolve.

A substantial number of patents have already been issued to other biotechnology and biopharmaceutical companies. Particularly in the monoclonal antibody and angiogenesis fields, our competitors may have filed applications for or have been issued patents and may obtain additional patents and proprietary rights relating to similar or competitive products or processes. To date, we are not aware of any consistent policy regarding the breadth of claims allowed in biopharmaceutical patents. We cannot assure you that there are no existing patents in the United States or in foreign countries or that no future patents will be issued that would have a negative impact on our ability to market any of our existing or future products or product candidates. We expect that commercializing monoclonal antibody-based products may require licensing and/or cross-licensing of patents with other companies in this field. We cannot guarantee that any licenses which might be required for our processes or products, will be available, if at all, on commercially acceptable terms. If we are required to acquire rights to valid and enforceable patents but cannot do so at a reasonable cost, our ability to manufacture our products would be negatively impacted. Moreover, the likelihood of successfully contesting the scope or validity of such patents is uncertain and the costs associated therewith may be significant.

We also rely on trade secrets and proprietary know-how, which we attempt to protect, in part, by confidentiality agreements with our employees and consultants. We cannot be certain that these agreements will not be breached, that we will have adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently developed by our competitors.

WE ARE EXPOSED TO PRODUCT LIABILITY CLAIMS. The manufacture and sale of human therapeutic products involve an inherent risk of product liability claims. We maintain only limited product liability insurance. However, we cannot assure you that we will be able to maintain existing insurance or obtain additional product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Product liability insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, if at all. Our inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims in excess of our insurance coverage, if any, or a product recall could negatively impact our financial position and results of operations.

THERE ARE RISKS ASSOCIATED WITH HEALTH CARE REFORM AND THIRD-PARTY REIMBURSEMENT. Political, economic and regulatory influences are subjecting the health care industry in the United States to fundamental change. Recent initiatives to reduce the federal deficit and to reform health care delivery are increasing cost-containment efforts. We anticipate that Congress, state legislatures and the private sector will continue to review and assess alternative benefits, controls on health care spending through limitations on the growth of private health insurance premiums and Medicare and Medicaid spending, the creation of large insurance purchasing groups, price controls on pharmaceuticals and other fundamental changes to the health care delivery system. Any such changes could negatively impact our ultimate profitability. Legislative debate is expected to continue in the future, and market forces are expected to drive reductions of health care costs. We cannot predict what impact the adoption of any federal or state health care reform measures or future private sector reforms may have on our business.

Our ability to successfully commercialize our product candidates will depend in part on the extent to which appropriate reimbursement codes and authorized cost reimbursement levels of such products and related treatment are obtained from governmental authorities, private health insurers and other organizations, such as health maintenance organizations ("HMOs"). The Health Care Financing Administration ("HCFA"), the agency responsible for administering the Medicare program, sets requirements for coverage and reimbursement under the program, pursuant to the Medicare law. In addition, each state Medicaid program has individual requirements that affect coverage and reimbursement decisions under state Medicaid programs for certain health care providers and recipients. Private insurance companies and state Medicaid programs are influenced, however, by the HCFA requirements.

There can be no assurance that any of our product candidates, once available, will be included within the then current Medicare coverage determination. In the absence of national Medicare coverage determination, local contractors that administer the Medicare program, within certain guidelines, can make their own coverage decisions. Favorable coverage determinations are made in those situations where a procedure falls within allowable Medicare benefits and a review concludes that the service is safe, effective and not experimental. Under HCFA coverage requirements, FDA approval for marketing will not necessarily lead to a favorable coverage decision. A determination will still need to be made as to whether the product is reasonable and necessary for the purpose used. In addition, HCFA has proposed adopting regulations that would add cost-effectiveness as a criterion in determining Medicare coverage. Changes in HCFA's coverage policy, including adoption of a cost-effective criterion, could negatively impact our financial position and results of operations.

Third-party payers are increasingly challenging the prices charged for medical products and services. Also, the trend toward managed health care in the United States and the concurrent growth of organizations such as HMOs, which could control or significantly influence the purchase of health care services and products, as well as legislative proposals to reform health care or reduce government insurance programs, may all result in lower prices for our product candidates than we currently expect. The cost containment measures that health care payers and providers are instituting and the effect of any health care reform could negatively affect our ability to operate profitably.

WE ARE DEPENDENT ON KEY PERSONNEL. Our success is dependent, in part, upon a limited number of key executive officers and technical personnel remaining employed with us, including Larry O. Bymaster, our President and Chief Executive Officer, Steven C. Burke, our Chief Financial Officer, Dr. John Bonfiglio, our Vice President of Business Development, and Dr. Jamie Oliver, our Vice President of Clinical and Regulatory Affairs. We also believe that our future success will depend largely upon our ability to attract and retain highly-skilled research and development and technical personnel. We face intense competition in our recruiting activities, including larger companies. We do not know if we will be successful in attracting or retaining skilled personnel. Further, the loss of certain key employees or our inability to attract and retain other qualified employees could negatively affect our financial position and results of operation.

YEAR 2000 ISSUE RISKS MAY RESULT IN A MATERIAL ADVERSE EFFECT ON OUR BUSINESS. We are aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The year 2000 problem is pervasive and complex. Virtually every computer operation will be affected in some way by the rollover of the two digit year value to "00". The issue is whether computer systems will properly recognize date-sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail. We have identified substantially all of our major hardware and software platforms in use and are continually modifying and upgrading our software and information technology and other systems. We have modified our current financial software to be year 2000 compliant and expect all of our internal computer systems to be year 2000 compliant by April 30, 1999 through the use of internal and external resources. Although we do not presently believe that, with upgrades of existing software and/or conversion to new software, the year 2000 problem will pose significant operational problems for our internal computer systems or have a negative affect on our financial position or results of operations, we cannot assure you that any year 2000 compliance problems of our suppliers will not negatively affect our financial position or results of operation. Because uncertainty exists concerning the potential costs and effects associated with any year 2000 compliance, we intend to continue to make efforts to ensure that third parties with whom we have relationships are year 2000 compliant. We have not incurred significant costs to date associated with year 2000 compliance and presently believe estimated future costs will not be material. However, actual results could differ materially from our expectations due to unanticipated technological difficulties or project delays. If we or any third parties upon which we rely are unable to address the year 2000 issue in a timely manner, it could have an adverse impact on our financial position and results of operations. In order to assure that this does not occur, we are in the process of developing a contingency plan intend to devote all resources required to attempt to resolve any significant year 2000 issues in a timely manner.

THERE ARE RISKS ASSOCIATED WITH EARTHQUAKES. Our corporate and research facilities, where the majority of our research and development activities are conducted, are located near major earthquake faults which have experienced earthquakes in the past. Although we carry limited earthquake insurance, in the event of a major earthquake or other disaster affecting our facilities, our operations, financial position and results of operations will be negatively affected.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS. None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

The following is a summary of transactions by the Company during the quarterly period commencing on November 1, 1998 and ending on January 31, 1999 involving issuance and sales of the Company's securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

On or about November 25, 1998, in consideration of the cancellation of certain indebtedness of the Company of approximately $70,000, the Company issued to Bente K. Hansen and DHR International, Inc. an aggregate of 72,258 shares of the Company's Common Stock.

On or about December 9, 1998, in connection with the transactions contemplated by the Company's Regulation D Common Stock Equity Line Subscription Agreement (the "Equity Line Agreement"), for no additional monetary consideration, the Company issued 76,844 shares of the Company's Common Stock to The Tail Wind Fund, Ltd. and 19,211 shares of the Company's Common Stock to Resonance Limited. In addition, on or about December 24, 1998, in connection with the issuance of shares to The Tail Wind Fund, Ltd. and Resonance Limited, the Company issued to Swartz Investments LLC 60,515 shares of the Company's Common Stock and warrants to purchase up to 5,091 shares of Common Stock at an exercise price of $1.375 per share, which warrants are immediately exercisable and expire on December 31, 2004.

On various dates during the quarter ended January 31, 1999, the Company issued to six unaffiliated investors an aggregate of 454,747 shares of the Company's Common Stock upon conversion of an aggregate of 233 outstanding shares of the Company's 5% Adjustable Convertible Class C Preferred Stock (the "Class C Stock") and upon the exercise of outstanding warrants for total consideration of $41,129. Upon conversion of the 233 shares of Class C Stock, the Company issued additional warrants to such investors to purchase up to an aggregate of 97,997 shares of the Company's Common Stock at an exercise price of $0.6554 per share, which warrants are immediately exercisable and expire on April 25, 2002.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

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

ITEM 5. OTHER INFORMATION. None.

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

(a) Exhibits:

Exhibit Number	Description
10.47	Real Estate Purchase Agreement By and Between Techniclone Corporation and 14282 Franklin Avenue Associates, LLC dated December 24, 1998.
10.48	Lease and Agreement of Lease Between TNCA, LLC, as Landlord, and Techniclone Corporation, as Tenant dated as of December 24, 1998.
10.49	Promissory Note dated as of December 24, 1998 between Techniclone Corporation (Payee) and TNCA Holding, LLC (Maker) for $1,925,000.
10.50	Pledge and Security Agreement dated as of December 24, 1998 for $1,925,000 Promissory Note between Grantors and Techniclone Corporation (Secured Party).
27	Financial Data Schedule.

(b) Reports on Form 8-K: Current Report on Form 8-K as filed with the Commission on January 7, 1999 reporting the sale and subsequent leaseback of its two corporate facilities.

SIGNATURES

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

TECHNICLONE CORPORATION

By: /s/ Steven C. Burke

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

EXHIBIT 10.47

REAL ESTATE PURCHASE AGREEMENT

BY AND BETWEEN

TECHNICLONE CORPORATION
a Delaware corporation

AND

14282 FRANKLIN AVENUE ASSOCIATES, LLC.
a Delaware limited liability company

Dated: December 24, 1998

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REAL ESTATE PURCHASE AGREEMENT

THIS REAL ESTATE PURCHASE AGREEMENT ("Agreement") is made the 24 day of December, 1998, by and between TECHNICLONE CORPORATION, a Delaware corporation ("Seller") as the seller hereunder and 14282 FRANKLIN AVENUE ASSOCIATES, LLC., a Delaware limited liability company, or its designee ("Purchaser"), as the purchaser hereunder. Seller acknowledges that Purchaser intends to immediately assign its interest in this sale leaseback transaction to TNCA, LLC, a Delaware limited liability company.

W I T N E S S E T H:

In consideration of the warranties, representations, agreements and covenants herein contained, Seller and Purchaser, intending to be legally bound, hereby mutually covenant and agree as follows:

SECTION 1 DEFINITIONS. Certain words and terms as used in this Agreement shall have the meanings given to them by the definitions and descriptions in this Section, and such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms herein defined. All accounting terms not specifically defined in this Agreement will be construed in accordance with generally accepted accounting principals.

"Affiliate" of a person or entity means any other person or entity which, directly or indirectly, controls or is controlled by or is under common control with such person or entity (excluding any trustee under, or any committee with responsibility for administering, any employee benefit plan under which such person, or any wholly-owned subsidiary of such person, may have liability). A person or entity shall be deemed to be controlled by any other person or entity if such other person or entity possesses, directly or indirectly, power to direct or cause the direction of the management and policies of such person or entity whether through the ownership of voting securities, by contract or otherwise

"Agreement" means this Real Estate Purchase Agreement.

"Appurtenances" shall have the meaning set forth in Section 2.3.

"Awards" shall have the meaning set forth in Section 2.6.

"Building" shall have the meaning set forth in Section 2.2.

"Building Plans" shall have the meaning set forth in Section 7.3.7.

"Closing" shall have the meaning set forth in Section 4.1.

"Closing Date" means the day on which the Closing actually occurs, as of 12:01 A.M., Pacific Time, at Los Angeles, California, which date shall be on or before December ___ , 1998, except as otherwise provided herein, unless the parties hereto otherwise agree in writing upon another date.

"Contract" means any agreement, undertaking, covenant, liability, restriction, instrument or guaranty, whether written or oral, to which Seller is a party, or by which Seller is bound, affecting the Property.

"Earnest Money" shall have the meaning set forth in Section 3.1.

"Engineering Report" shall have the meaning set forth in Section 7.3.5.

"Environmental Report" shall have the meaning set forth in Section 7.3.4.

"Equipment" shall have the meaning set forth in Section 2.4.

"Escrow Agent" means the Title Company.

"Government" means the government of the United States of America, any political subdivision of, or any subdivision of any such subdivision of, the United States of America (including, without limitation, the State of California, the City of Tustin, and any state, county, commonwealth, territory, federal district, municipality or possession) and any department, agency, board or instrumentality thereof.

"Governmental" means of, by, or pertaining to, any Government.

"Improvements" shall have the meaning set forth in Section 2.2.

"Indebtedness" means, at any date, for any Person, all items which, in accordance with generally accepted accounting principles, would be shown as indebtedness on a balance sheet of such Person, as of the date on which indebtedness is to be determined, including, without limitation, (a) indebtedness secured by any lien, whether or not the indebtedness secured thereby shall have been assumed, (b) obligations in respect of all capital leases, (c) obligations in connection with letters of credit and bankers' acceptances, and (d) all guaranties in the amounts of the indebtedness, leases, dividends or other obligations of primary obligors to which they relate.

"Intangible Property" shall have the meaning set forth in Section 2.5.

"Land" shall have the meaning set forth in Section 2.1.

"Lien" means any mortgage, lien, charge, security interest or encumbrance of any kind upon, or pledge of, any property or asset, whether now owned or hereafter acquired, and includes the acquisition of, or agreement to acquire any property or asset subject to any conditional sale agreement or other title retention agreement, including a lease on terms tantamount thereto or on terms otherwise substantially equivalent to a purchase.

"Permitted Encumbrances" means (a) liens for current real estate taxes which by law are a lien on the Property but are not yet due and payable; and (b) those matters shown on the Title Commitment and the Survey which have been accepted and approved by Purchaser pursuant to Section 8.1.2 hereof.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or Government.

"Property" shall have the meaning set forth in Section 2.

"Purchase Price" shall have the meaning set forth in Section 3.

"Purchaser" shall have the meaning set forth in the Preamble.

"Purchaser's Lender" shall mean the lender selected by Purchaser to fund the acquisition of the Property by Purchaser or its designee.

"Requirements of Law" means any law, statute, ordinance, code, rule, regulation, guideline, judgment, order, writ, injunction or decree of any court or Government and any decision or ruling of any arbitrator, which is applicable to, binding upon, affects or pertains to the Property and/or the use, occupation and/or operation of the Property, or any Person, and any of the foregoing to which such Person is a party or by which such Person or any of its assets or property is bound or affected or from which such Person derives benefits. "Requirements of Law" shall also include the charter documents and code of regulations or bylaws of any Person that is a corporation, the charter documents and articles or agreement of partnership of any Person that is a partnership, and the charter documents and operating agreement of any Person that is a limited liability company.

"Seller" shall have the meaning set forth in the Preamble.

"Seller's Retained Property" shall mean all of Seller's trade fixtures and related tenant improvements in the Building, including without limitation, removable furniture, and equipment used by Techniclone, Inc. in connection with the operation of its business during the term of the Techniclone Lease. A list of Seller's Retained Property is attached as SCHEDULE 1.

"Space Leases" shall mean all leases, licenses, concessions and other agreements, written or oral, for any use or possession of any portion of the Property.

"Survey" shall have the meaning set forth in Section 7.3.3.

"Taking" shall have the meaning set forth in Section 11.9.1.

"Techniclone Lease" means that certain Triple Net Bond Lease by and between Purchaser, as landlord, and Seller, as tenant, with respect to the Property referenced in Section 4.3.2.

"Tenant" means the occupant or holder of the interest of lessee under the Techniclone Lease.

"Title Commitment" shall have the meaning set forth in Section 7.3.2.

"Title Company" means Old Republic Title Insurance Company.

"Title Policy" shall have the meaning set forth in Section 4.3.3.

SECTION 2. SALE OF PROPERTY AND ASSIGNMENT OF RIGHTS. Seller agrees to sell and convey to Purchaser, and Purchaser agrees to purchase, pursuant to the terms of this Agreement and subject only to the Permitted Encumbrances, the following property and interests in property (all collectively herein called the "Property"):

2.1 THE LAND. All that certain parcel or those certain parcels of land, consisting of approximately .990 acres, located in Tustin, California, as more particularly described in EXHIBIT "A" annexed hereto and made a part hereof (collectively, the "Land").

2.2 THE IMPROVEMENTS. All buildings, improvements, fixtures and structures located on the Land, including the 24,304 square foot building, having a street address of 14272 Franklin Avenue, Tustin, CA and the 23,184 square foot building, having a street address of 14282 Franklin Avenue, Tustin, CA (the "Buildings," or the "Improvements"); provided, however, that the Improvements shall not include any of Seller's Retained Property.

2.3 APPURTENANCES. All and singular the easements, rights of way, tenements, hereditaments and appurtenances belonging or in any wise appertaining unto the Land, the Improvements, any other appurtenance, the Equipment, the Intangible Property, the Awards, or the operation, use, or enjoyment of any of the foregoing, and also all the estate, right, title, interest, property, claim and demand whatsoever of Seller in and to the Property and in and to the streets, ways, sidewalks, alleys, driveways, parking areas and areas adjacent thereto or used in connection therewith, and to any land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Land, to the center line thereof (collectively, the "Appurtenances"); provided, however, that the Appurtenances shall not include any of Seller's Retained Property.

2.4 EQUIPMENT. All fixtures, fittings, appliances, apparatus, equipment, supplies, machinery, carpeting and other materials installed, located or stored on the Property, and other personal property and any replacements thereof, or additions thereto, actually or constructively affixed, or attached to the Property, or placed upon, under or used in any way in connection with the complete and comfortable use, enjoyment, occupancy and/or operation of the Property, including, but without limiting the generality of the foregoing, all parts of the plumbing, heating, ventilating, air-conditioning, electrical and mechanical systems of the Improvements, elevators, incinerators, trash compactors, all equipment, materials and supplies used or usable in connection with the maintenance, repair and cleaning of the Property and the interior and exterior of all Improvements; all racks or similar apparatus necessary for the placement and/or retention of broadcasting antennae or other telecommunication equipment and property on the roof of or otherwise within or about the Improvements (all of which Seller warrants is owned by Seller and no other Person has the right to remove or claim ownership to same), all keys and

master keys, all built-in equipment, all heating, air-conditioning, freezing, lighting, incinerating and power equipment, lampposts, all electrical equipment, transformers, wiring, conduit, meters, fixtures and apparatus, engines, pipes, pumps, tanks, motors, hydraulic equipment, conduits, lifting, cleaning, fire prevention, fire extinguishing, smoke detection, refrigerating, ventilating and communications apparatus, boilers, furnaces, oil burners or units thereof and any firing and control apparatus used in connection therewith, appliances, air-cooling and air-conditioning apparatus, vacuum cleaning systems, storage systems, built-in or attached shelving, shades, awnings, windows, attached cabinets, partitions, ducts and compressors, rugs and carpets, draperies, landscaping, sod, arbors, shrubs, plants, trees, planters and planting beds or boxes, retaining walls and enclosures, directories, mailboxes, signs, television or radio antennae, together with all building materials and equipment now or hereafter delivered to the Property and intended to be installed therein, thereon or thereunder, including but not limited to, lumber, plaster, cement, plumbing, fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, glass, doors, flooring, paint, lighting fixtures, heating and ventilating appliances and equipment, locks and locksets; together with all additions, accessions, proceeds, products, replacements, renewals and substitutions of and for all of the foregoing (all of which is herein collectively called the "Equipment"); provided, however, that the Equipment shall not include any of Seller's Retained Property, as defined in Section 1. Seller agrees that at the expiration or termination of the Techniclone Lease, whichever comes first, the Buildings will be left in good and fully operational condition for use as a standard, fully air conditioned, research and development building.

2.5 INTANGIBLE PROPERTY. All warranties, guaranties, and all benefits of the foregoing, to which Seller is a party or as to which Seller has the benefit, relating to the Property, to the extent assignable (all of which is herein collectively called the "Intangible Property"). The Intangible Property subject to this transactions does not include any patents, technologies or other similar intellectual properties owned by Seller; and

2.6 AWARDS. All estate, right, title and interest of Seller in and to any awards heretofore or hereafter made with respect to any part of or interest in the Property and the Appurtenances as the result of the exercise of the power of eminent domain (or a sale in lieu of a taking by eminent domain), including any awards for changes of the grades of streets, or as the result of any damage to the Property for which compensation shall be given by any Governmental authority (collectively, the "Awards"); provided, however, that the Awards shall not be deemed to include any awards payable separately to Seller solely with respect to damage to Seller's business conducted at the Property, or Seller's moving expenses, due to an exercise of the power of eminent domain, provided further, however, that any such award otherwise payable to Seller does not reduce the amount of Awards. Seller shall execute and deliver to Purchaser on demand all proper instruments for the conveyance of such title and the assignment and collection of any such Award, excluding Seller's Retained Property.

SECTION 3. PURCHASE PRICE. Subject to adjustment as hereinafter provided, the price to be paid by Purchaser for the purchase of the Property is the sum of Six Million One Hundred Thousand Dollars ($6,100,000) (the "Purchase Price"). Purchaser shall deposit the Purchase Price with Escrow Agent for delivery to Seller at Closing, net of any holdbacks, adjustments, prorations, and costs charged to Seller under this Agreement.

3.1 ESCROWED FUNDS. Upon the execution of this Agreement, Purchaser shall deposit with Escrow Agent a check in the amount of Fifty Thousand Dollars ($50,000) (said sum, together with all additional deposits, and interest earned thereon as hereinafter provided, "Earnest Money") to be held and applied pursuant to this Section 3.1. At the expiration of the Due Diligence Period set forth in Section 8.1 hereof (as the same may be extended with respect to any cure being effected thereunder), Purchaser shall deposit with Escrow Agent an additional check in the amount of Fifty Thousand Dollars ($50,000) to be held and applied pursuant to this Section 3.1.

3.1.1 Escrow Agent shall invest the Earnest Money pursuant to Purchaser's instructions in either (a) special, segregated interest-bearing accounts, repurchase agreements or certificates of deposit with any financial institution insured by the Federal Deposit Insurance Corporation, or (b) bonds, notes or other obligations which as to principal and interest constitute debt obligations of or are unconditionally guaranteed by the United States of America. Except as otherwise set forth in Section 16.1, all interest accruing on the Earnest Money shall accrue for the benefit of Purchaser.

3.1.2 Except for a failure any condition set forth in Section 9, or a default on the part of Seller as set forth in Section 16.2, the Earnest Money deposited by Purchaser shall become nonrefundable upon the execution and delivery of this Agreement.

3.2 BALANCE. The balance of the Purchase Price shall be paid as follows:

3.2.1 Purchaser shall deposit with Escrow Agent prior to Closing the sum of Four Million One Hundred Twenty Five Thousand Dollars ($4,125,000), net of any holdbacks, adjustments, prorations and costs charged to Seller under Section 3.3 of this Agreement or any holdbacks imposed by Lender for the completion of immediate repairs.

3.2.2 Purchaser shall deposit with Escrow Agent one (1) business day prior to the Closing a promissory note ("Note") in the form of EXHIBIT "B" attached hereto and made a part hereof, along with any security for the Note.

3.3 APPORTIONMENTS AND ADJUSTMENTS. In addition to any other adjustments or prorations provided for in this Agreement, which are incorporated at this place, the following adjustments shall be made for each of the costs, expenses and charges listed below, and the net aggregate amount of such adjustments shall be credited to the account of Seller or Purchaser upon the Purchase Price, as the case may be:

3.3.1 Seller shall receive a credit for the prorated portion, adjusted on a per diem basis, of any advance payments under any Contracts which Purchaser elects to continue.

3.3.2 Seller shall pay and discharge, or credit on the Purchase Price, any real estate transfer taxes or charges and any stamp or documentary taxes or other transfer fees or taxes arising out of this transaction, and shall forever indemnify and hold Purchaser free and harmless therefrom.

SECTION 4. CLOSING.

4.1 TIME AND PLACE OF CLOSING.

4.1.1 Provided that all conditions precedent to Closing have been satisfied or waived, the parties agree to cause the closing of title under this Agreement and the consummation of the transactions provided for herein (the "Closing") to take place, and the balance of the Purchase Price required to be paid at the Closing to be paid to Seller, at the offices of the Title Company, on the Closing Date.

4.1.2 Notwithstanding the provisions of Section 4.1.1 hereof, if any of the conditions set forth in Section 9 of this Agreement have not been satisfied or waived, then Purchaser shall have the right to terminate this Agreement at any time after the initially scheduled date for Closing set forth in Section 1, in which event Purchaser shall be released and relieved of all liability hereunder and the Earnest Money and any other funds deposited into escrow or with Seller shall be immediately delivered to Purchaser by Escrow Agent or Seller, as the case may be.

4.1.3 Notwithstanding the provisions of Section 4.1.1 hereof, if Purchaser fails to cause the executed Note, the agreed upon security for the Note, and the balance of the Purchase Price to be paid at Closing to be delivered to the Escrow Agent, Seller shall have the right to terminate this Agreement, in which event Seller shall be released and relieved of all liability hereunder and if applicable, the provisions of Section 16.1 shall apply.

4.2 ESCROW. The Closing shall be conducted in escrow and all documents and instruments, including an executed copy of this Agreement, sums of money or other matters to be delivered or attended to at the Closing shall be delivered to the Title Company and held in escrow, pursuant to the terms of the escrow agreement attached hereto as EXHIBIT "G", and the same shall be released upon the recording of the Deed and any other instruments required to be recorded pursuant to this Agreement and the delivery of the Title Policy.

4.3 DELIVERIES BY SELLER AT OR PRIOR TO CLOSING. At or prior to the Closing, Seller shall deliver, or cause to be delivered, to Escrow Holder:

4.3.1 The grant deed of Seller (the "Deed") in form acceptable to Purchaser, duly executed by Seller in such manner as will qualify the Deed for recording. Seller shall deliver a copy of the Deed to Purchaser, in the form attached hereto as EXHIBIT "H" for review by Purchaser's attorney.

4.3.2 Four (4) original counterparts of the Techniclone Lease, in the form of EXHIBIT "C" attached hereto and made a part hereof.

4.3.3 Paid commitment for a fee owner's policy of title insurance (the "Title Policy") with respect to the Land and Improvements, obtained by Purchaser and in form and substance acceptable to Purchaser, issued by the Title Company in the aggregate amount of the Purchase Price and listing as exceptions only the Permitted Encumbrances. The Title Policy shall be on the 1970 form of owner's policy, form "B", as amended in 1987, if available in the state where the Property is located. All appurtenant easements benefiting the Property shall be included as part of the insured parcel described in the Title Policy. The Title Policy shall contain the following endorsements, to the extent available in California:

(a) an endorsement deleting all standard printed exceptions;

(b) a so-called "comprehensive" endorsement;

(c) an access endorsement, insuring, among other matters, that the Property and all entrances, exits, driveways and access roads adjoin a public road or highway, and that entrance to and exit from each of the foregoing may be had by such a public road or highway;

(d) affirmative insurance of the state of facts shown on the Survey, which shall be read into and form a part of the Title Policy;

(e) affirmative insurance that the parcels comprising the Land are contiguous each to the other without any strips, gores or other parcels of land intervening; and

(f) affirmative insurance of all easements benefiting the Property.

4.3.4 A certificate, in the form attached hereto as EXHIBIT "D" duly executed by Seller, dated as of the Closing Date, certifying that all of Seller's warranties and representations contained herein or otherwise made in writing by Seller or on Seller's behalf are true as of the Closing Date as if then made.

4.3.5 A bill of sale for the Equipment, in the form attached hereto as EXHIBIT "E" duly executed by Seller and containing warranties of title and of good right to convey ("Bill of Sale").

4.3.6 An updated version of the Survey, which may be a recertification of a previous version of the Survey, which updated version shall in all respects meet the survey requirements set forth in this Agreement.

4.3.7 An assignment, in the form attached hereto as EXHIBIT "F", duly executed by Seller assigning and transferring to Purchaser the Intangible Property and containing warranties of title and of good right to convey. If desired by Purchaser, Seller shall execute separate assignments for individual items comprising the Intangible Property.

4.3.8 Originals or true and correct copies of all certificates (or letters if certificates are not utilized by the pertinent Governmental authorities), licenses, permits, authorizations, licenses and approvals issued for or with respect to the Property by any Governmental authority having jurisdiction, including without limitation, all certificates of occupancy, issued with respect to the Improvements..

4.3.9 A certificate of the Governmental authority having jurisdiction with respect to the use of the Property, dated as of a date no earlier than ninety (90) days prior to the Closing Date, certifying to Purchaser as of such date the zoning classification of the Property and that said authority has no record of outstanding violations of building codes and zoning and land use laws and regulations against the Property.

4.3.10 Any certificates, documents or instruments reasonably required by Purchaser or by the Title Company, including without limitation, a so-called "FIRPTA" affidavit meeting the requirements of the United States Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, stating that Seller is not a foreigner, and the Title Company's usual and customary owner's affidavit and mechanic's lien affidavit and indemnity so as to enable the Title Company to issue the Title Policy required by this Agreement.

4.4 DELIVERIES BY PURCHASER AT OR PRIOR TO CLOSING. At or prior to the Closing, Purchaser shall deliver or cause to be delivered to Escrow Holder:

4.4.1 Any certificates, documents or instruments reasonably required by the Title Company.

4.4.2 The executed Note, any security for the Note, including UCC-1 financing statements and membership certificates, and the balance of the Purchase Price required to be paid at Closing to be delivered to Escrow Agent.

4.4.3 Four (4) original counterparts of the Techniclone Lease.

4.5 PURCHASER'S REVIEW OF CLOSING DELIVERIES. INTENTIONALLY DELETED

4.6 POSSESSION OF THE PROPERTY. Seller shall grant and deliver to Purchaser exclusive possession of the Property, in the condition required by this Agreement, subject only to the Permitted Encumbrances and the Techniclone Lease and the Space Leases, no later than the Closing Date.

4.7 CLOSING COSTS.

4.7.1 At Closing, Seller shall pay, and Escrow Agent shall charge to Seller, all costs related to the Closing, including, without limitation the following: (a) the cost of examination of title to the Property, the cost of issuing the Title Commitment, the premium for issuing the Title Policy and all endorsements thereto; (b) the real estate transfer tax or conveyance fee; (c) one-half of Escrow Agent's fee; (d) the cost of the Survey; (e) the cost of third party reports (Environmental Report, Engineering Report and appraisal) in an amount not to exceed $12,400; (f) the recording fee for the Deed; and (g) any sums due Purchaser by reason of prorations as provided for herein.

4.7.2 At Closing, Escrow Agent shall charge Purchaser with (a) one-half of Escrow Agent's fee, (b) any lender endorsements, and (c) any sums due Seller by reason of prorations provided for herein.

SECTION 5. WARRANTIES AND REPRESENTATIONS OF SELLER. Seller hereby warrants and represents to Purchaser as follows:

5.1 TITLE TO THE PROPERTY. Seller has not sublet, mortgaged, hypothecated, pledged or assigned all or any portion of Seller's estate, right, title and interest in and to the Property to any Person, except for Permitted Encumbrances and any encumbrances to be removed by Seller at or prior to Closing or as shown on the Title Commitment accepted by Seller or Survey.

5.2 NO SPACE LEASES NOT PREVIOUSLY DISCLOSED. Except for the Space Lease identified on the attached Schedule 5.2, there are no leases, subleases, license agreements, concession agreements or other agreements, oral or written, for the use or possession of any portion of the Property.

5.3 LITIGATION. To Seller's best knowledge, there is no action, suit or proceeding either at law or in equity, or any arbitration proceeding or investigation, inquiry or other proceeding by or before any court or Governmental instrumentality, board, agency or the like now pending or, to the best of Seller's knowledge, threatened, affecting the Property or materially affecting Seller or any property or rights of Seller. No judgment, decree or order of any court or Government has been issued against or binds Seller which has, or is likely to have, any material adverse effect on the ability of Seller to perform the transactions contemplated hereby.

5.4 NO PENDING TAKINGS. To the best of Seller's knowledge, other than Permitted Encumbrances, there is no pending or threatened condemnation, eminent domain or similar proceeding or assessment affecting the Property or any part thereof, nor to the best of Seller's knowledge and belief is any such proceeding or assessment contemplated by any Governmental authority.

5.5 NO VIOLATIONS.

5.5.1 Except as set forth in the Engineering Report and the Environmental Report, to the best of Seller's knowledge, there are no existing, alleged or threatened violations of laws, statutes, municipal ordinances, building codes, rules or regulations of any Government or any Governmental administrative or regulatory body, or of any fire regulations or insurance regulations, or any Requirements of Law, which affect the Property, including without limitation, the United States Occupational Health and Safety Act, as amended.. The use and operation of the Property now are, and at the time of Closing will be, in compliance with all Requirements of Law, including without limitation, all applicable point of sale laws, building codes, environmental, zoning and land use laws and regulations. All expenses and costs relating to such compliance and all costs and expenses necessary to cure any violations of any of the aforesaid, whether such violations are revealed by inspection or otherwise, shall be borne solely by Seller. To the best of Seller's knowledge, the Property and the present operation, use, location and configuration of the Improvements on the Land (including without limitation, the side lots, set backs and any parking requirements and other occupancy ratios) (a) do not constitute a non-conforming use under any zoning or land use law or regulation, and (b) except as shown on SCHEDULE 5.5.1, are not the subject of any variance or permit pursuant to any zoning or land use law or regulation.

5.5.2 Certificates of occupancy for the Improvements have been issued by the appropriate Governmental authority, and the existing use and occupancy of the Improvements is in compliance with the certificates of occupancy so issued.

5.5.3 Seller has not been notified of any pending or contemplated proceedings to modify or amend any building code or zoning or land use law or regulation which affects the use of the Property.

5.5.4 To the best of Seller's knowledge, no zoning or subdivision approval, use or occupancy permits, or any other approval of any Government or Governmental authority relating to the Property is based or conditioned upon any ownership of, or any possession of any rights in, any real property, easements or rights appurtenant to any real property, other than the Land.

5.5.5 Seller has not received any notice of any kind from any Government or Governmental official alleging that Seller has failed to comply with any Requirements of Law.

5.6 ENVIRONMENTAL MATTERS.

5.6.1 DEFINITIONS. For purposes of this Section 5.6:

(a) "Contaminant" shall mean any substance which degrades into, contains or releases hazardous substances, pollutants or contaminants, hazardous chemicals or any other substance defined, listed or identified by any Governmental authority, or in any federal, state or local laws, rules or regulations governing the manufacture, import, use, generation, handling, storage, processing, release or disposal of chemicals, substances or wastes deemed thereby to be potentially hazardous, toxic, dangerous or injurious to human health or to the environment. This definition includes, without limitation, material which is or may become radioactive, asbestos-containing material and petroleum or petroleum-based products (including used oil).

(b) "Environmental Laws" shall mean any applicable federal, state or local law, statute, ordinance, code, rule, regulation, guidelines, permit, agreement, order or other binding determination of any Government or Governmental authority relating to the environment or public or human health and safety, including, without limitation, the Clean Water Act 42 U.S.C. ss. 7401 et seq., the Clean Air Act 33 U.S.C. ss. 1251 et seq., and each statute specifically referred to in this Section 5.6.1.

(c) "Hazardous Substances", "Pollutants or Contaminants" and "Release" each have the same meaning as in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. ss.9601 et seq.

(d) "Hazardous Waste" has the same meaning as in the Resource Conservation and Recovery Act of 1976, 42 U.S.C. ss. 6901 et seq.

(e) "Hazardous Chemical" has the same meaning as in the Occupational Safety and Health Administration ("OSHA") Hazard Communication Standard, 29 C.F.R. ss. 1910.1200 et seq.

(f) "Infectious Waste" has the same meaning as in OSHA's Bloodborne Pathogens Rule, 29 C.F.R. 1910.1030 et seq.

5.6.2 Except as set forth on SCHEDULE 5.6.2 hereof or in the Environmental Report, or as otherwise permitted by law: (a) Seller has not caused or allowed and, to the best of Seller's knowledge, no lessee, sublessee, occupant or prior owner of the Property, or any third party (including, without limitation, trespassers, licensees, guests and the like) has caused or allowed any Contaminants to be used, generated, processed, manufactured, stored, placed, processed, disposed or released on or off-site of any of the Property; (b) the Property is not subject to any contingent liability in connection with the release, threatened release, or presence of any Contaminants on or off site of the Property; (c) Seller has obtained all environmental, health and safety permits, licenses and other authorizations necessary, and made all notifications and filings necessary, for the current use of, and sale of, the Property, including without limitation, the "F" occupancy permit currently in force (collectively, "Environmental Permits"); (d) all Environmental Permits are in good standing and Seller has made timely application for renewal of Environmental Permits where necessary; and (e) the Property is in compliance with all terms and conditions of all Environmental Permits and all Environmental Laws.

5.6.3 Except as set forth on SCHEDULE 5.6.3 or allowed by Environmental Laws pursuant to the terms of Seller's "F" occupancy permit, there is not now on or in the Property: (a) any generation, processing, treatment, storage, recycling, disposal or arrangement for disposal of any Hazardous Waste or Infectious Waste; (b) any manufacture, application or disposal of pesticides registered currently or formerly with the United States Environmental Protection Agency or any Governmental authority; (c) any underground storage tanks, in use or abandoned; (d) any asbestos-containing material; (e) any urea formaldehyde foam insulating materials; or (f) any polychlorinated biphenyls (PCBs), including, without limitation, any PCBs in any hydraulic oils, transformers, capacitors or other electrical equipment specifically known to Seller without independent investigation.

5.6.4 Except as set forth on SCHEDULE 5.6.4 or in the Environmental Report, to the best of Seller's knowledge, there are no past or present events, conditions, circumstances, activities, practices, incidents, actions or plans which may give rise to any material common law or legal liability or otherwise form the basis of any material claim, suit, action, demand, proceeding, hearing or notice of violation, study or investigation relating to the environment or to human health and safety, which would relate to or affect the Property or any Person as a result of such Person holding title to, possessing, occupying or operating the Property or any portion thereof at any time, whether past, present or future.

5.6.5 Seller has made available to Purchaser copies of all reports, studies, analyses, tests and/or monitoring results in the possession or control of the Seller pertaining to any environmental or human health and safety matters or concerns related to or affecting the Property.

5.7 CONDITION OF PROPERTY. Except as otherwise be disclosed in the Engineering Report, the Survey, the Hazard Disclosure Report, the Building Plans or the Environmental Report, the Improvements, including, without limitation, the structural beams, footings, columns, bearing members, foundations and other structural components of the Buildings, the roof of the Buildings and the underground or otherwise concealed sewage, plumbing, electrical and other utility systems placed upon or under the Land or Improvements are free from defects and have been and are in good condition and repair (subject to reasonable wear and tear), properly functioning, fully completed substantially in accordance with the Building Plans. All building permits, certificates of occupancy, and other permits and approvals required for the present use of the Property or otherwise necessary pursuant to any Requirement of Law have been issued. The Equipment is in good operating condition and repair, subject to reasonable wear and tear. Except as previously disclosed to Purchaser in writing, Seller has no knowledge of the necessity of any material repairs or renovations to the Property or Improvements thereon. Except as otherwise expressly provided in this Agreement, Purchaser acknowledges and agrees that it is acquiring the Property in an "AS IS" condition, in reliance on its own inspection and examination.

5.8 DISPUTES WITH NEIGHBORS. Seller has had no boundary disputes or water drainage disputes with the owners of any premises adjacent to the Property and has no knowledge of any such dispute involving any former owners of the Property.

5.9 WELLS. Except as may otherwise be disclosed in the Environmental Report, there are no gas wells, oil wells or other wells, whether capped or uncapped, on or about the Property. If any such wells are discovered, whether before or after the Closing Date, then Seller, at Seller's sole cost and expense, shall cause the same to be capped in accordance with all Requirements of Law and shall repair all damage to the Property in connection with such capping.

5.10 TAXES. All taxes, assessments and other Governmental charges imposed by law upon the Property or upon Seller, including, without limitation, any personal Property taxes applicable to the Property, which are due and payable, the failure of which to pay would result in a Lien on the Property or prevent any deed or other document required to be delivered hereunder from being either delivered or recorded or accepted for recording by the applicable public officers (collectively, "Taxes and Assessments"), have been paid. The Property are not subject to any special or reassessed assessments and Seller has no knowledge of any proposed or pending special assessments that would affect the Property, except as may otherwise be shown on the Title Commitment or the tax bills delivered by Seller to Purchaser pursuant to this Agreement. No improvements (site or area) have been installed by or on behalf of any Governmental authority the costs of which may be assessed against the Property.

5.11 BROKERS. No agent, broker, investment banker or other Person acting on behalf of Seller or under the authority of Seller is or will be entitled to any broker's commission or finder's fee or any other commission or similar fee directly or indirectly from any of the parties hereto in connection with any of the transactions contemplated herein, other than CB Commercial Real Estate Group, and Seller agrees to pay all amounts due or becoming due to said brokers. Seller shall indemnify, protect, defend and hold harmless Purchaser against or from all commissions or fees or claims for same, due to or claimed by any other broker or Person engaged by Seller or claiming to have dealt with Seller in connection with the Property.

5.12 BOOKS AND RECORDS. The books of account and other financial and business records of Seller with respect to the Property are in all material respects complete and correct and are maintained in accordance with generally accepted accounting principles, consistently applied.

5.13 DISCLOSURE. There are no facts actually known to Seller which materially adversely affects the Property and the condition (financial or otherwise), liabilities, operations or prospects of the Property except for such facts set forth herein, or disclosed to Purchaser in writing, or in any schedule or exhibit attached hereto.

5.14 ABSENCE OF UNDISCLOSED LIABILITIES. At Closing, Seller will have no material liability, whether absolute, accrued, contingent or otherwise, whether due or to become due, arising out of any transaction relating to the Property, except as may arise under this Agreement, the Techniclone Lease, the Title Commitment accepted by Seller, or otherwise be disclosed herein and removed at or before the Closing.

5.15 UTILITIES; ACCESS.

5.15.1 To the best of Seller's knowledge, the Property has and will have as of the Closing Date adequate water supply, storm and sanitary sewage facilities, telephone, gas, electricity, steam, and any other public utilities, fire protection and means of ingress and egress to and from public highways, necessary or desirable for the current use of the Property as an office/research/production facility. All streets and roads currently used and necessary for access to or full utilization of the Property or any part thereof are duly dedicated public roads maintained by the Government having jurisdiction thereof.

5.15.2 To the best of Seller's knowledge, all utility lines serving the Property enter the Property from adjoining lands dedicated to public use for such uses. The sewer and water lines serving the Property connect directly from the Property to public sewer and water systems maintained by the Government having jurisdiction thereof. To the best of Seller's knowledge, the sewer and water lines serving the Property are of adequate size and capacity to meet the requirements of the Property as presently operated.

5.16 PLANS. Except as shown on the Building Plans and/or the Survey and/or the Environmental Report, Seller has no actual knowledge of any Improvements located underground or otherwise not ascertainable by a visible inspection, including, without limitation, any vaults, tanks, pipes or waterlines.

5.17 CONSENTS. No consent of any Person not heretofore obtained is necessary to effectuate or perform this Agreement and the transactions herein contemplated. To the best of Seller's knowledge, all permits, authorizations, licenses and approvals necessary for the operation of the Property have been duly obtained and are in full force and effect, and there are no proceedings pending or, to the best of Seller's knowledge, threatened which may result in the revocation, cancellation or suspension, or any material modification of, any of the foregoing.

5.18 EFFECTIVENESS OF TRANSACTIONS. Purchaser will acquire hereunder, and delivery of the documents required to be delivered hereby will suffice to vest in Purchaser the entire right, title and interest in, the Property, free and clear of all Liens, encumbrances, liabilities, agreements, leases, claims, rights, easements and restrictions, except for the Permitted Encumbrances.

5.19 INSURANCE. Seller has now in force adequate and sufficient fire, casualty, theft, vandalism, and public liability insurance coverage with respect to the Property.

5.20 FLOOD PLAIN; WETLANDS. Except as may otherwise be stated on the Survey, the Environmental Report or the Hazard Disclosure Report, the Improvements are not located in a designated flood plain or flood way. No part of the Property constitutes so-called "wetlands" under any Requirements of Law, including without limitation, 33 C.F.R. Section 328.3.

5.21 HISTORIC DISTRICT. The Property is not located in any area designated by any Government as an historical or similar area wherein such designation would restrict the ability to rehabilitate, construct or otherwise make changes to the interior or exterior of the Property nor do any Governmental restrictions exist with respect to the Property other than normal zoning regulations or codes of a general nature applicable to all property within the purview of such general regulations and codes.

5.22 SELLER NOT AN ALIEN. Seller is not a "nonresident alien," "foreign corporation," "foreign partnership," "foreign trust" or "foreign estate" within the meaning of the United States Internal Revenue Code of 1986, as amended, and the regulations and rulings promulgated thereunder.

5.23 EXISTENCE AND AUTHORITY OF SELLER.

5.23.1 Seller is, and will be on the Closing Date, a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has, and will have on the Closing Date, all necessary power and authority to (a) carry on the business for which Seller has been organized, (b) own and operate the Property, and (c) enter into this Agreement and perform Seller's obligations hereunder.

5.23.2 All actions required to be taken under Delaware law and Seller's Articles of Incorporation and By-Laws to approve or authorize the execution of this Agreement and consummation of the transactions contemplated hereby have been taken.

5.23.3 The execution of this Agreement and the consummation of the transactions contemplated hereby constitute the valid and binding obligation of Seller, enforceable in accordance with its terms.

5.23.4 Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will constitute a violation of or be in conflict with or constitute a default under (or with the passage of time or delivery of notice, or both, would constitute a default under) any term or provision of any agreement, lease, or other instrument to which Seller is a party or by which the Property is bound.

5.24 BEST KNOWLEDGE. As used in this Article 5, "best knowledge" refers to the knowledge of Elizabeth A. Gorbett-Frost, Larry Bymaster and John Zimmerman who are the persons most familiar with the operation of the Property and with the corporate structure of Seller.

Except as expressly provided in this Section 5, and notwithstanding anything to the contrary implied as a matter of law in the Deed, Seller makes no other representation or warranties of any kind whatsoever, either express or implied, with respect to all or any portion of the Property or any such related matter.

SECTION 6 WARRANTIES AND REPRESENTATIONS OF PURCHASER. Purchaser warrants and represents to Seller as follows:

6.1 BROKERS. No agent, broker, investment banker or other Person acting on behalf of Purchaser or under the authority of Purchaser is or will be entitled to any broker's commission or finder's fee or any other commission or similar fee directly or indirectly from any of the parties hereto in connection with any of the transactions contemplated herein. Purchaser shall indemnify, protect, defend and hold harmless Seller against or from all commissions or fees or claims for same, due to or claimed by any broker or Person engaged by Purchaser or claiming to have dealt with Purchaser in connection with the Property.

6.2 EXISTENCE AND AUTHORITY OF PURCHASER.

6.2.1 Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and will either be qualified as a foreign limited liability to do business in California..

6.2.2 The execution of this Agreement and the consummation of the transactions contemplated hereby constitute the valid and binding obligation of Purchaser, enforceable in accordance with its terms. Each person signing this Agreement on behalf of Purchaser is duly and validly authorized to do so.

6.2.3 No authorization, consent, or approval of any Governmental authority (including courts) is required for the execution and delivery by Purchaser of this Agreement or the performance of its obligations hereunder.

6.2.4 Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will constitute a violation of or be in conflict with or constitute a default under (or with the passage of time or delivery of notice, or both, would constitute a default under) any term or provision of Purchaser's operating agreement or any other agreement, lease, or other instrument to which Purchaser or any of Purchaser's members is a party, including without limitation any Lien in favor of Purchaser's lender.

SECTION 7. CERTAIN PRE-CLOSING COVENANTS OF THE PARTIES.

7.1 OPERATION PENDING CLOSING. From the date hereof to the Closing, Seller shall:

7.1.1 Continue to operate the Property in the ordinary course of business in accordance with sound real estate management practices, including the performance of all ordinary and necessary maintenance, repairs and replacements, and ordinary and necessary replacement of supplies, in the ordinary course of business;

7.1.2 Except in the ordinary course of Seller's business, execute no Contract, lease, license agreement, concession or other agreement which shall obligate Purchaser in any manner, in respect of the Property or any part thereof, nor any renewal, extension, amendment or modification of any Contract which shall obligate Purchaser in any manner, nor waive any rights of Seller or the owner of the Property thereunder or any prior defaults of the other contracting party thereunder, nor incur any expense in respect of the Property other than ordinary and necessary expenses, without the prior written consent in each instance of Purchaser, which such consent shall not be unreasonably withheld or delayed;

7.1.3 Maintain the Improvements and Equipment in good repair, order and condition except for depletion, depreciation, and damage by unavoidable casualty (subject, however, to the provisions of Section 11.8 hereof);

7.1.4 Keep in full force and effect insurance comparable in amount and scope of coverage to insurance now carried;

7.1.5 Perform in all material respects all of Seller's obligations under the Contracts;

7.1.6 Maintain the books of account and records relating to the operation of the Property in the usual, regular and ordinary manner and in compliance in all material respects with all Requirements of Law;

7.1.7 Comply in all material respects with all Requirements of Law applicable to the Property; and

7.1.8 Not sell, assign or transfer the Property or any interest therein, nor enter into any mortgages, leases, encumbrances or other matters affecting title to or possession of the Property without Purchaser's prior written consent.

7.2 ACCESS AND INFORMATION. On and after the date hereof, upon reasonable prior notice, Seller shall give to Purchaser and its counsel, agents, representatives and designees full access to the Property and the right to enter upon the Property and make or conduct soil tests, engineering studies, inspections and examinations of the Property and all components thereof, including but not limited to, all utility and mechanical systems serving or in any way related to the Property, environmental, architectural, space planning, and landscaping studies, surveys, plans, drawings, or investigations and such other inspections or surveys thereof as Purchaser may desire, except that any invasive testing shall require Seller's reasonable consent, and full access to all books, records, contracts and commitments directly related to the operation of the Property, and Seller's last Form 10K and Form 10Q, and will furnish all such information and documents (certified, if requested) relating to the operation of the Property as Purchaser and its counsel, agents, other representatives and designees may reasonably request. Seller shall, upon request of Purchaser, furnish Purchaser with copies of all such items and material. In conducting the foregoing investigations, Purchaser and its agents and representatives shall use reasonable good faith efforts to not unreasonably disrupt Seller's business operations at the Property. Purchaser acknowledges that FDA regulations prohibit entry to the Buildings during the course of Seller's production runs. Purchaser will not disclose any confidential information obtained from Seller to others (except for Purchaser's counsel, agents and other representatives involved in this transaction, each of which shall be bound by an agreement to keep such information confidential and to return such information to Purchaser in the event this Agreement is terminated).

In the event this Agreement is terminated, Purchaser will use reasonable efforts in good faith to keep confidential any information (unless readily ascertainable from public information or sources or otherwise required by law to be disclosed) obtained from Seller in connection with the transactions contemplated by this Agreement and will return to Seller all documents, work papers and other written material obtained by Purchaser from Seller. In connection with Purchaser's entry onto the Property to conduct tests, studies and examinations, Purchaser shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, arising from any bodily injury, property damage or mechanics' lien claim caused by Purchaser, or the firms retained by Purchaser to conduct specific examinations and tests, pursuant to this Section 7.2; provided, however, Purchaser's foregoing obligations shall not include any obligation or duty with respect to claims (including claims that the Property has declined in value) arising out of, resulting from or incurred in connection with (i) the discovery, presence or Release of any Hazardous Substances, unless such presence or Release was caused by Purchaser or its agents and other representatives, or (ii) the results, findings, tests or analyses of Purchaser's environmental investigation of the Property.

7.3 PRE-CLOSING DELIVERIES. Seller shall deliver, or cause to be delivered, each of the following items to Purchaser at Seller's sole cost and expense, each of which shall be delivered immediately upon the full execution of this Agreement:

7.3.1 Complete and correct copies of all insurance policies maintained by Seller currently in effect together with all riders and amendments thereto with respect to the Property, or certificates reflecting the coverage afforded under such insurance policies.

7.3.2 ALTA preliminary commitment or binder for title insurance ("Title Commitment") from the Title Company with current date, containing the commitment of the Title Company to issue the Title Policy required to be delivered pursuant to Section 4.3 hereof. The Title Commitment shall set forth the results of a so-called special tax search showing all pending assessments on the Property. The Title Commitment shall have attached thereto complete and legible copies of all documents relating to any matter or exception shown on Schedule B of the Title Commitment. The Title Commitment shall include the results of a search of all uniform commercial code financing statements and chattel mortgages filed with the appropriate county recorders/state official. Purchaser shall be responsible for obtaining the Title Commitment but the cost shall be borne by Seller pursuant to the provisions of Section 4.7 hereof.

7.3.3 A current survey ("Survey"), prepared by a land surveyor certified and licensed in California, and approved by Purchaser, covering the Property and meeting the requirements set forth in this Section. The Survey shall contain an appropriate certificate signed by the Surveyor, certifying to Purchaser, the Title Company and any other parties designated by Purchaser, that the Survey is an accurate representation of the Land, Improvements and Appurtenances and that the Survey complies with the 1992 "Minimum Standard Detail Requirements of ALTA/ACSM Land Title Surveys" for an

Urban Class Surveys. The certificate of the surveyor shall specifically certify that each of the parcels comprising a separate locale of the Land are contiguous each to the other without any strips, gores or other parcels of land intervening. The perimeter survey description contained in the Survey shall be used in the preparation of legal descriptions for the Title Policy, any binders of insurance for the Title Policy, the Deed and any other documents requiring legal descriptions of the Property to be delivered pursuant to this Agreement. The Survey shall be in such sufficient detail and reveal such state of facts as to permit the Title Company to issue the Title Policy without any survey, boundary or encroachment exceptions. The Survey shall be in form and substance acceptable to Purchaser and shall (a) show the location of all structures and Improvements on the Property; (b) identify or otherwise designate all (i) utility lines serving the Property, (ii) set back, rear yard and side yard requirements, (iii) easements and rights-of-way, either of record or visible on the ground, which either benefit or burden the Property, (iv) conditions, restrictions and other matters affecting title to the Property that are capable of being located on the Survey, (v) perimeter lines of the Property with monuments either set or found at each corner thereof, (vi) curb cuts, driveways and fences, and (vii) all matters affecting title to the Property which are shown in the Title Commitment and capable of being shown on or located by a survey; (c) contain a computation of the acreage of the Property to the nearest one-thousandth of an acre (specifically identifying the portion of the Property and the acreage thereof in any public highway, right-of-way, dedicated street or exclusive easement area) and a computation of the gross square footage of the Building; (d) contain a legal description of the Property; (e) show any encroachment on the Property or of any building or improvement constituting a part of the Property encroaching on any other property or an affirmative statement that no encroachment exists; (f) certify the zoning of the Property; (g) include the names of the owners of any real property adjoining the Property; (h) certify that no portion of the Property is located within a flood plain or flood way area or specifically identifying which portions of the Property are located within such flood plain or flood way area (i) have the seal and registration number of the surveyor affixed; and (j) bear the date on which the actual field survey has concluded.

7.3.4 Environmental site assessment (commonly known as a "Phase I" site assessment) ("Environmental Report") in form and substance acceptable to Purchaser and prepared by a qualified environmental engineering and consulting firm approved by Purchaser. The Environmental Report shall contain such information, and shall be the result of such investigations, as is usual and customary for environmental site assessments for property comparable to the Property and shall be sufficient to substantiate the matters set forth in Section 5.6 hereof and any problems or concerns related to the Property with respect to the environment or to human health and safety.

7.3.5 An engineering study of the Property ("Engineering Report"), in form, content and scope acceptable to Purchaser, prepared by a qualified engineering firm approved by Purchaser. The Engineering Report shall include, without limitation, a study or analysis of (a) all structural components of the Improvements, (b) all mechanical, electrical, plumbing, HVAC, sprinkler, fire suppression, elevators, and other Building systems and Equipment designated by Purchaser, and (c) the roof of the Buildings.

7.3.6 An Appraisal of the Property made by an MAI certified real property appraiser, setting forth both the unencumbered value of the fee simple interest in the Property and the leased fee value of the Property. 7.3.7 Two (2) complete and correct sets of "as built" architectural, mechanical, electrical, structural landscape, site and drainage plans and specifications for all Improvements (collectively, "Building Plans").

7.3.8 All policies of title insurance with respect to the Property received by Seller when Seller acquired the Property or otherwise within Seller's possession or control.

7.3.9 Originals of, or complete and accurate copies of, the following (a) all engineering and/or architectural studies, surveys, assessments or reports with respect to the Property, (b) all studies, surveys, assessments or reports relating to any environmental matter concerning the Property, and (c) all surveys and site plans of the Land, Improvements and Appurtenances.

7.3.10 Complete and correct copies of all certificates, licenses, permits, authorizations and approvals issued for or with respect to the Property by any Governmental authority having jurisdiction, including, without limitation, all certificates of occupancy issued with respect to the Improvements.

7.3.11 Complete and correct copies of all site plan approvals, zoning approvals, zoning variances, if any, issued by the Governmental authorities having jurisdiction over zoning and land use requirements applicable to the Property, to the extent that the foregoing are within Seller's possession or control.

7.3.12 Complete and correct copies of all warranties and guarantees applicable to the Building, Equipment or Improvements.

7.3.13 Complete and correct copies of all tax bills relating to the Property for the three (3) year period immediately preceding the date of this Agreement.

7.3.14 Complete and correct copies of all Space Leases.

7.4 CONTINUING ACCURACY OF REPRESENTATIONS. The representations and warranties contained herein, or otherwise made in writing by or on a party's behalf, shall be true and correct as of the Closing, except for such changes contemplated and permitted by this Agreement, as though such party had made such representations and warranties in exactly the same form or language on the Closing Date. Each of the parties shall immediately notify the other party in the event that any representation or warranty made by the notifying party shall cease to be true and correct at or prior to the Closing.

7.5 SATISFACTION OF CONDITIONS. Seller shall cause each of the conditions set forth in Section 9 hereof to be satisfied at or prior to the Closing.

SECTION 8. PURCHASER'S DUE DILIGENCE.

8.1 APPROVAL BY PURCHASER. Purchaser shall have the period commencing with the date of this Agreement and continuing through December ___, 1998 (the "Due Diligence Period") in which to review and approve the reports, surveys, documents and other items set forth in Section 7.3 hereof (collectively, "Due Diligence Items").

8.1.1 In the event that or before December ___, 1998 Purchaser notifies Seller that any one or more of the Due Diligence Items is not acceptable, or in the event that on or before December ___, 1998 Purchaser disapproves of the condition of the Property or any other matters relating to the Property which have been inspected by or revealed to Purchaser subsequent to the date of this Agreement, then Seller shall have a period of five (5) business days after each such notice in which Seller shall notify Purchaser in writing whether or not Seller intends to attempt to cure, satisfy or otherwise remedy to Purchaser's satisfaction ("Cure") such conditions or matters set forth in Purchaser's notice (such conditions or matters, collectively, "Purchaser's Objections"). If Seller elects to Cure Purchaser's Objections, then Seller shall have a period of thirty (30) days after Seller's receipt of the notice setting forth such Purchaser's Objections in which to Cure the same. If Seller has timely notified Purchaser that Seller does not intend to attempt to Cure the Purchaser's Objections, or if Seller elects to Cure the Purchaser's Objections and thereafter fails to Cure the same within the time period provided for herein, then, in either such event, Purchaser may, by written notice to Seller, elect to cancel this Agreement, in which event all parties shall be released and discharged of any further liability hereunder, except any liability under Section 11.4 hereof.

8.1.2 If any matter shown in the Title Commitment and/or the Survey is not acceptable to Purchaser, then Purchaser (or Purchaser's attorneys) shall notify Seller of those matters that are not acceptable. Seller shall have a period of five (5) business days after receipt of Purchaser's notice in which Seller shall notify Purchaser in writing whether or not Seller intends to attempt to Cure such conditions or matters set forth in Purchaser's notice (such conditions or matters, collectively, "Title/Survey Objections"). If Seller elects to Cure the Title/Survey Objections, then Seller shall have a period of thirty (30) days after receipt of Purchaser's notice in which to Cure the Title/Survey Objections. If Seller has timely notified Purchaser that Seller does not intend to attempt to Cure the Title/Survey Objections, or if Seller elects to Cure the Title/Survey Objections and thereafter fails to Cure the same within the time period provided for herein, then in either such event, Purchaser may, by written notice to Seller, elect to cancel this Agreement, in which event all parties shall be released and discharged of any further liability hereunder, except any liability under Section 11.4 hereof. Notwithstanding the foregoing, Purchaser shall not be required to object to any Lien or similar matter which Seller is otherwise required to remove or cure pursuant to this Agreement and which can be removed or cured by the payment of money out of funds otherwise payable to Seller at Closing.

SECTION 9. CONDITIONS TO OBLIGATIONS OF PURCHASER. Purchaser shall not be obligated to close title hereunder nor have any obligation under this Agreement if any of the following conditions shall exist or shall occur, except to the extent that any such condition may have been waived by Purchaser pursuant to Section 12:

9.1 LITIGATION. An action or proceeding brought by any Person (other than a party hereto) shall be pending before any court or administrative body to restrain, enjoin or otherwise prevent the consummation of the transactions contemplated by this Agreement or to recover any damages or obtain other relief as a result of the consummation of the transactions contemplated by this Agreement.

9.2 SELLER REPRESENTATIONS AND PERFORMANCE. The representations and warranties of Seller contained herein or otherwise made in writing by or on Seller's behalf in connection with the transactions contemplated hereby shall not be true and correct in all material respects as of the Closing, except for changes contemplated and permitted by this Agreement, as though such representations and warranties were made as of the Closing in exactly the same form or language; or Seller shall not have duly performed and complied with all of the agreements, conditions and deliveries required by this Agreement to be performed, complied with, or delivered by Seller prior to or at the Closing.

9.3 INSURABILITY OF TITLE TO PROPERTY. Any policy of title insurance which is to be issued by the Title Company with respect to the Property contains exceptions for matters other than the Permitted Encumbrances.

9.4 ZONING. Any building code or zoning or land use law or regulation to which the Property is subject shall be modified or amended in any manner whatsoever which adversely affects Purchaser's intended use and development of the Property, including without limitation, in such manner as to result in a change of the zoning classification of the Property.

9.5 APPROVAL BY PURCHASER. Purchaser has not previously terminated this Agreement pursuant to Section 8.1 hereof.

9.6 APPROVAL BY PURCHASER'S LENDER. Purchaser's Lender is not willing to fund the purchase of the Property on terms and conditions reasonably acceptable to Purchaser.

SECTION 10. CONDITIONS TO OBLIGATIONS OF SELLER. Seller's obligation to sell the Property shall be conditioned upon the fulfillment of each of the conditions precedent set forth in Section 9, all of which should be satisfied or waived in writing on or prior to the specified date and time, or in the absence of a specified date and time, by the Closing Date. The obligations of Seller hereunder are further subject to the fulfillment at or prior to the Closing of the following conditions except to the extent that any of such conditions may have been waived by Seller pursuant to Section 12:

10.1 LITIGATION. No action or proceeding brought by any Person (other than a party hereto) shall be pending before any court or administrative body to restrain, enjoin or otherwise prevent the consummation of the transactions contemplated by this Agreement or to recover any damages or obtain other relief as a result of the consummation of the transactions contemplated by this Agreement.

10.2 REPRESENTATIONS AND PERFORMANCE OF PURCHASER. The representations and warranties of Purchaser contained herein and otherwise made in writing by or on its behalf in connection with the transactions contemplated hereby shall be true and correct in all material respects as of the Closing, except for changes contemplated and permitted by this Agreement, as though such representations and warranties were then made in exactly the same form and language; and Purchaser shall have duly performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by Purchaser prior to or at the Closing.

SECTION 11. ADDITIONAL COVENANTS.

11.1 EXPENSES. Except as otherwise provided herein, Seller and Purchaser each agree to pay their own costs and expenses incurred in connection with the transactions contemplated hereby. Seller shall be responsible for the costs of producing the reports, surveys, documents and other items required by Section 4 and Section 7 to be obtained and delivered by Seller.

11.2 SATISFACTION OF LIENS. In the event that there are any Liens, encumbrances or defects to the marketability or insurability of the title to the Property on the date of Closing, other than for Permitted Encumbrances, by reason of any mortgage, Lien against the Property, unpaid tax, conditional sales contract or chattel mortgage, mechanic's lien, judgment or any encumbrance which is susceptible of being cured or discharged upon payment of a fixed or ascertainable amount, Seller shall pay, satisfy and discharge such Lien, encumbrance or defect against the Property at or prior to the Closing by procuring and recording at Seller's expense a good and sufficient release, satisfaction or discharge, discharging each of said Liens, encumbrances or defects of record. If at the date of Closing there shall be any such Liens, encumbrances or defects, Seller may use the portion of the balance of the Purchase Price which is payable in immediately available funds to satisfy the same, provided that Seller shall simultaneously either deliver to Purchaser at the Closing instruments in recordable form and sufficient to satisfy and discharge such Liens, encumbrances or defects of record together with the cost of recording or filing said instruments, or, provided that the Seller has made arrangements with the Title Company in advance of the Closing, Seller will deposit with the Title Company sufficient monies acceptable to and required by the Title Company to insure the obtaining and the recording of such instruments and satisfactions and to induce the Title Company to issue the Title Policy to Purchaser insuring the Property free of any such Liens, encumbrances or defects.

11.3 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The respective representations, warranties and covenants of Purchaser and Seller contained herein or in any schedule, exhibit, certificate or document delivered herewith or in pursuance hereof and their respective agreements contained herein shall survive the Closing for a period of two (2) years. All warranties and representations shall be effective regardless of any investigations which have been or will have been made. If Seller becomes aware of any facts or

circumstances which would change or render incorrect, in whole or in part, any representation or warranty made by Seller under this Agreement, whether as of the date given or at any time thereafter to and including the Closing Date and whether or not such representation was based on Seller's knowledge and/or belief as of a certain date, Seller will give prompt written notice of such change, fact or circumstance to Purchaser. If Purchaser elects to close the transaction contemplated hereby, Seller's liability for misrepresentation or a breach of warranty, the misrepresentation or breach complained of shall exclude any fact or circumstance of which Seller subsequently learns and notifies Purchaser of pursuant to this Section 11.3.

11.4 INDEMNITY BY SELLER.

11.4.1 Seller shall indemnify, protect, defend and hold harmless Purchaser from and against any and all actions, suits, claims, liabilities, damages, losses, costs and expenses, including attorneys' fees, resulting from (a) any representations made by Seller in this Agreement or made in any document or certificate delivered pursuant to this Agreement which are inaccurate or misleading, (b) any breach of any of Seller's warranties made in this Agreement or any document or certificate delivered pursuant to this Agreement, (c) any breach or default in the performance or observance by Seller of any of the covenants or other obligations which Seller is to perform or observe under this Agreement, or (e) any obligations or liabilities related to or arising under any Contract (collectively, "Indemnified Matters"). Seller's obligation to indemnify Purchaser for the events described in (a) and (b) above shall be limited in duration, as set forth in Section 11.3

11.4.2 Should any claim be made by a person not a party to this Agreement with respect to any matter to which the indemnity set forth in this Section 11.4 relates, Purchaser shall promptly give Seller written notice of any such claim, and Seller shall thereafter defend or settle any such claim, at its sole expense, on its own behalf and with counsel of its selection; provided, however, that Seller's counsel shall be competent counsel experienced in the type of litigation or claim at issue and shall be acceptable to Purchaser, acting reasonably. Upon Seller's assumption of the defense of any claim against Purchaser pursuant to Seller's indemnity, Purchaser shall have the right to participate in the defense or settlement of the claim with counsel retained and paid by it, and Seller shall cause the attorneys retained by it to consult and cooperate fully with counsel for Purchaser. In such defense or settlement of any claims, Purchaser shall provide Seller with originals or copies of all relevant documents and provide its utmost cooperation with and assistance to Seller, at no expense to Purchaser. Notwithstanding any provision of this Section 11.4 to the contrary, Seller shall not enter into any settlement or agreement in connection with any Indemnified Matters binding upon or adversely affecting Purchaser, or admit any liability or fact in controversy binding upon or adversely affecting Purchaser, without Purchaser's prior written consent which such consent shall not be unreasonably withheld or delayed.

11.5 FURTHER ASSURANCES. If at any time either of the parties hereto shall consider or be advised that any further assignments, conveyances or assurances are necessary or desirable to carry out the provisions hereof and the transactions contemplated herein, the appropriate parties hereto shall execute and deliver, or cause to be executed and delivered, any and all proper deeds, assignments and assurances, and do or cause to be done all things necessary or proper to carry out fully the provisions hereof.

11.6 DELIVERY OF DOCUMENTS AND OTHER ITEMS. No document shall be deemed executed and delivered for purposes of this Agreement unless such document shall have been duly executed with all blanks appropriate filled in pursuant to the terms hereof or thereof.

11.7 RECORDATION. Neither party shall record this Agreement.

11.8 DAMAGE AND DESTRUCTION.

11.8.1 If any part of the Property shall, prior to the filing of the Deed for record, be damaged or destroyed by fire or any other cause, then Seller shall immediately give written notice to Purchaser of such event and the parties shall thereafter proceed as follows:

(a) If the cost of repairing an insured event of damage or destruction is less than One Hundred Thousand Dollars ($100,000.00), Seller shall promptly restore the Property and the parties shall proceed to close this transaction. Seller shall be responsible for any expense incurred by Purchaser because of the delay in closing.

(b) If the event of damage or destruction is uninsured or if the cost of repairing the damage or destruction is more than One Hundred Thousand Dollars ($100,000.00), Purchaser may, at Purchaser's option (i) receive the proceeds of any insurance payable in connection therewith plus a cash payment by Seller of the deductible amount, if any, under the insurance policy or policies covering the Property and thereupon remain obligated to perform this Agreement; or (ii) terminate this Agreement. Upon termination of this Agreement by Purchaser pursuant to this Section 11.8, all funds and documents previously paid, deposited or advanced by Purchaser shall be immediately returned to Purchaser.

11.8.2 Simultaneously with the execution of this Agreement, Seller shall deliver to Purchaser true and complete copies of all policies for the present insurance coverage upon the Property, or certificates reflecting the coverage afforded under such insurance policies. Seller shall keep such policies in full force and effect through the Closing Date and immediately advise Purchaser in writing of any damage to the Property. Seller shall execute and deliver such instruments as may be necessary to assign to Purchaser on the Closing Date any insurance policies presently in effect upon the Property which Purchaser elects to assume.

11.9 EMINENT DOMAIN.

11.9.1 If, prior to Closing, all or any portion of the Property is taken or affected by eminent domain proceedings, or under a threat of eminent domain, for any public or quasi-public use or purpose (a "Taking"), then in any such event, Seller shall immediately give Purchaser written notice of the occurrence of such event, and the parties shall thereafter proceed as follows:

(a) If the cost of such Taking is less than One Hundred Thousand Dollars ($100,000.00), Seller shall promptly restore the Property and the parties shall proceed to close this transaction. Seller shall be responsible for any expense incurred by Purchaser because of the delay in closing.

(b) If the cost of such Taking is more than One Hundred Thousand Dollars ($100,000.00), Purchaser may, at Purchaser's option (i) receive the proceeds of any Awards payable in connection therewith and thereupon remain obligated to perform this Agreement; or (ii) terminate this Agreement. Upon termination of this Agreement by Purchaser pursuant to this Section 11.9.1(b), all funds and documents previously paid, deposited or advanced by Purchaser shall be immediately returned Purchaser.

11.9.2 If the Closing shall occur following a Taking, and if Purchaser does not elect to terminate this Agreement in the manner set forth in Section 11.9.1(b), then Seller shall deliver or cause to be delivered to Purchaser (at Closing, if possible) all Awards, less any sums theretofore reasonably utilized by Seller for restoration or repair of the Property, to the extent the same was properly performed at Purchaser's direction pursuant to Section 11.9.1 and Seller shall execute and deliver to Purchaser at Closing all proper instruments for assignment and collection of any Awards not paid at Closing and shall also pay to Purchaser such additional amounts, if any, in excess of the Awards as may be reasonably required to complete any restoration or repair of the Property.

11.10 NO ASSUMPTION OF SELLER'S LIABILITIES. Purchaser shall not, by the execution or performance of this Agreement or otherwise, assume, become responsible for, or incur any liability or obligation of any nature of Seller. Without limiting the generality of the foregoing, Purchaser shall not assume any liability or obligation of Seller under any Contract.

11.11 CONFIDENTIALITY. Except as otherwise required by Requirement of Law, Purchaser and Seller shall keep the contents of this Agreement and the terms for the acquisition of the Property confidential and shall not disclose the contents of this Agreement or the terms for the acquisition of the Property in any manner whatsoever to any party without the other party's prior written consent, except that each party may disclose such terms to such party's professional advisors, agents and employees and Purchaser may disclose such terms to Purchaser's Lender, potential joint ventures, partners or members, provided that each party agrees to keep such terms confidential.

SECTION 12. WAIVER. Any condition to the performance by any party hereto, which may legally be waived at or prior to the Closing may be waived at any time by the party entitled to the benefit thereof by action duly taken by the waiving party. Except as herein expressly provided, no waiver by a party of any breach of this Agreement or of any warranty or representation hereunder by the other party shall be deemed to be a waiver of any other breach by such other party (whether preceding or succeeding and whether or not of the same or similar nature) and no acceptance or payment or performance by a party after any breach by the other party shall be deemed to be a waiver of any breach of this

Agreement or of any representation or warranty hereunder by such other party whether or not the first party knows of such breach at the time it accepts such payment or performance. No failure or delay by a party to exercise any right it may have by reason of the default of the other party shall operate as a waiver of default or modification of this Agreement or shall prevent the exercise of any right by the first party while the other party continues to be so in default. No purported waiver by either party of any default by the other of any term or provision contained herein shall be effective unless the waiver is in writing and signed by the waiving party.

SECTION 13. MISCELLANEOUS. The captions or headings contained in this Agreement are for reference purposes only and shall not effect in any way the meaning or interpretation of this Agreement. This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof. No representation, promise, inducement or statement of intent has been made by any party to this Agreement to any other party to this Agreement or any director, officer, stockholder, partner, agent, attorney or employee thereof which is not embodied in this Agreement, and no party or director, officer, stockholder, partner, agent, attorney or employee shall be bound by or liable for any alleged representation, promise, inducement or statement of intention not embodied herein. This Agreement may be executed in several counterparts each of which shall be deemed an original and all of which shall constitute one and the same instrument. This Agreement shall be governed in all respects, including validity, interpretation and effect, by the laws of the situs of the Property, notwithstanding the application of any principles of conflicts of laws. Seller and Purchaser shall execute such modifications or amendments to this agreement as may be necessary or desirable in order to conform the intentions of the parties as set forth or as reasonably intended hereunder to the laws of the situs of the Property. This Agreement may not be amended except by an instrument in writing duly executed and delivered on behalf of each of the parties hereto. This Agreement shall be binding upon and inure to the benefit of any successor to Seller or Purchaser subject to the restrictions contained herein with respect to assignment of this Agreement. Wherever provision is made herein for the execution and delivery of any document or instrument by Seller, such document or instrument shall be executed and delivered by the duly authorized officers of Seller.

SECTION 14. NOTICES.

14.1 METHOD OF NOTICE. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be delivered personally or shall be mailed by certified or registered mail, postage prepaid, return receipt requested, or deposited with a nationally-recognized over-night courier addressed to the parties at the following addresses, or such other or further addresses as either of the parties shall request by further written notice given in the manner herein required:

If to Seller: TECHNICLONE CORPORATION
14282 Franklin Avenue
Tustin, CA 92780
Attn: Steven C. Burke, CFO

with a copy to: Rutan & Tucker, LLP
611 Anton Boulevard, Suite 1400
Costa Mesa, CA 92626
Attn: Mary Green, Esq.

If to Purchaser: 14282 Franklin Avenue Associates, LLC
c/o The Bentley Forbes Group, LLC
1900 Avenue of the Stars, Suite 2840
Los Angeles, California 90067 - 4509
Attn: C. Frederick Wehba, II, President

with a copy to: 14282 F Franklin Avenue Associates, LLC
c/o The Bentley Forbes Group, L.L.C.
1900 Avenue of the Stars, Suite 2840
Los Angeles, California 90067 - 4509
Attn: Sharon Nader Sloan, Esq.

14.2 NOTICES AFFECTING THE PROPERTY. Seller shall promptly provide Purchaser with an exact copy of any notice, communication or other instrument or document received or given by Seller in any way to or affecting the Property.

SECTION 15. INTENTIONALLY DELETED

SECTION 16. DEFAULT.

16.1 DEFAULT BY PURCHASER. In the event title shall fail to close hereunder through no default of Seller and by reason of a default by Purchaser, Seller's sole and exclusive remedy against Purchaser, in lieu of all other rights or remedies otherwise provided at law or in equity against Purchaser or against any officer, director, official or employee of Purchaser, shall be to retain the Earnest Money, including accrued interest, as liquidated and agreed damages, and not as a penalty or forfeiture. For purposes of this Agreement, any one of the following shall be deemed a "default by Purchaser" under this Agreement: (a) Purchaser's failure to deliver any documents or other items required to be so delivered under the provisions of this Agreement; (b) the willful refusal of Purchaser to either consummate the sale of the Property provided for herein or perform all obligations required of Purchaser pursuant to the provisions of this Agreement; or (c) a breach of this Agreement by Purchaser.

/S/ BK_____ /S/ SB_____
Purchaser's Initials Seller's Initials

16.2 DEFAULT BY SELLER. In the event title shall fail to close hereunder through no default of Purchaser and by reason of a default by Seller, Purchaser shall retain all rights and remedies provided at law or in equity against Seller, its successors or assigns including, without limitation, the specific performance of this Agreement. Purchaser shall have the right to elect to receive, in lieu of all other rights or remedies otherwise provided by law or in equity against Seller or against any officer, director, official or employee of Seller, all out-of-pocket expenses incurred by Purchaser in connection with this transaction, including but not limited to, (a) Purchaser's internal costs and expenses, (b) the fees of Purchaser's outside attorneys, (c) the legal fees of Lender's counsel, (d) the nonrefundable portion of Lender's commitment fee, (e) the cost of Lender's due diligence and environmental reviews, (f) all of the verified cost of Lender's rate lock instrument, and (g) the cost of the Engineering Report, the Environmental Report, the appraisal, the Survey, and any fees and charges associated with the Title Policy and Escrow Agent, in an amount not to exceed the sum of One Hundred Seventy Five Thousand Dollars ($175,000.00), as liquidated and agreed damages. For purposes of this Agreement, any one of the following shall be deemed a "default by Seller" under this Agreement: (a) Seller's failure to deliver any reports, surveys, documents or other items required to be so delivered under the provisions of this Agreement; (b) the willful refusal of Seller to either consummate the sale of the Property provided for herein or perform all obligations required of Seller pursuant to the provisions of this Agreement; or (c) a breach of this Agreement by Seller.

/S/ BK_____	/S/ SB_____
Purchaser's Initials	Seller's Initials

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

SELLER:

TECHNICLONE CORPORATION,
a Delaware corporation

By: /S/ STEVEN C. BURKE

Name: STEVEN C. BURKE

Title: CFO

PURCHASER:

14282 FRANKLIN AVENUE ASSOCIATES, LLC, a Delaware limited liability company

By: /S/ BERT KREISBERG

Bert Kreisberg, Manager

EXHIBIT "A"

LEGAL DESCRIPTION OF THE LAND

Parcel A:

Parcels 2 and 3 of parcel map 95-115, in the city of Tustin, County of Orange, State of California, as per map recorded in book 290 page(s) 3 through 5 inclusive of Miscellaneous maps, in the office of the County Recorder of said County.

Excepting therefrom all oil, oil rights, minerals, mineral rights, natural gas rights, and other hydrocarbons by whatsoever name known that may be within or under the parcel of land hereinabove described, together with the perpetual rights of drilling, mining, exploring and operating therefor, and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from land other than those hereinabove described, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land hereinabove described, and to bottom such whipstocked or directionally thereof, and to redrill retunnel, equip, maintain, repair, deepen and operate any wells or mines, without, however, the right to drill, mine, store, explore and operate through the surface of the upper 500 feet of the subsurface of the land hereinabove described, as reserved in deeds or record.

Parcel B:

Easements for access, ingress, egress and parking over parcel A of parcel map recorded in book 290 , pages 3, 4 and 5 of parcel maps as set forth in that certain declaration of restrictions entitled "Franklin Court" and recorded January 9, 1996 as instrument No. 96-0012567 and re-recorded April 30, 1996 as instrument No. 96-214962 both of official records.

EXHIBIT "B"

PROMISSORY NOTE

(filed as Exhibit 10.49 to the Quarterly Report on Form 10-Q for the quarter ended January 31, 1999 and incorporated herein by this reference)

EXHIBIT "C"

LEASE AGREEMENT

(filed as Exhibit 10.48 to the Quarterly Report on Form 10-Q for the quarter ended January 31, 1999 and incorporated herein by this reference)

EXHIBIT "D"

CERTIFICATION OF WARRANTIES AND REPRESENTATIONS

TECHNICLONE CORPORATION, a Delaware corporation, ("Seller") hereby certifies to TNCA, LLC, a Delaware limited liability company ("Purchaser") that all of Seller's warranties and representations set forth in that certain Real Estate Purchase Agreement ("Purchase Agreement") dated as of December __, 1998, by and between Seller and Purchaser, are true and correct as of the date of this Certification as if all warranties and representations of Seller set forth in the Purchase Agreement were made by Seller as of the date of this Certification.

IN WITNESS WHEREOF, Seller has caused this Certification to be executed by its duly authorized officer as of the day of December, 1998.

TECHNICLONE CORPORATION
a Delaware corporation

By:
Name:
Title:

EXHIBIT "E"

BILL OF SALE

[Equipment]

KNOW ALL MEN BY THESE PRESENTS THAT, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, TECHNICLONE CORPORATION, a Delaware corporation ("Seller") does hereby grant, bargain, sell, deliver, carry, transfer, set over and assign (or cause to be granted, bargained, sold, delivered, carried, transferred, set over and assigned) unto TNCA, LLC, a Delaware limited liability company ("Purchaser"), its successors and assigns, all of the "Equipment", as that term is defined in that certain Real Estate Purchase Agreement ("Purchase Agreement") dated as of December __, 1998 by and between Seller and Purchaser for the purchase and sale of certain real property and improvements and related property located in Tustin, CA and as more particularly described on EXHIBIT A attached hereto and made a part hereof.

It is the intention of this instrument to convey, transfer and assign to Purchaser, and Seller represents and warrants to Purchaser that this instrument does convey, transfer and assign to Purchaser, all right, title and interest in and to the Equipment. Seller, for itself and its successors and assigns, further represents and warrants that Seller has the right, power and capacity to sell the Equipment..

Seller agrees to execute and deliver, or cause to be executed and delivered, all such further assignments, endorsements or other documents as Purchaser may reasonably request for the purpose of effecting transfer of all right, title and interest in and to the Equipment.

TO HAVE AND TO HOLD the Equipment unto Purchaser, its successors and assigns, to and for its and their own use forever.

IN WITNESS WHEREOF, Seller has caused this Bill of Sale to be executed by its duly authorized officer as of the ___ day of December, 1998.

TECHNICLONE CORPORATION
a Delaware corporation

By:
Name:
Title:

EXHIBIT "F"

GENERAL ASSIGNMENT, CONVEYANCE AND BILL OF SALE

[Intangible Property]

KNOW ALL MEN BY THESE PRESENTS THAT, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, TECHNICLONE CORPORATION, a Delaware corporation ("Seller") does hereby grant, bargain, sell, deliver, carry, transfer, set over and assign (or cause to be granted, bargained, sold, delivered, carried, transferred, set over and assigned) unto TNCA, LLC, a Delaware limited liability company ("Purchaser"), its successors and assigns, all of the "Intangible Property", as that term is defined in that certain Real Estate Purchase Agreement ("Purchase Agreement") dated as of December __ , 1998 by and between Seller and Purchaser for the purchase and sale of certain real property and improvements, and related property, located in Tustin, CA, as more particularly described on EXHIBIT "A" attached hereto and made a part hereof.

It is the intention of this instrument to convey, transfer and assign to Purchaser, and Seller represents and warrants to Purchaser that this instrument does convey, transfer and assign to Purchaser, all right, title and interest in and to the Intangible Property. Seller, for itself and its successors and assigns, further represents and warrants that Seller has the right, power and capacity to sell the Intangible Property.

Seller agrees to execute and deliver, or cause to be executed and delivered, all such further assignments, endorsements or other documents as Purchaser may reasonably request for the purpose of effecting transfer of all right, title and interest in and to the Intangible Property.

TO HAVE AND TO HOLD the Intangible Property unto Purchaser, its successors and assigns, to and for its and their own use forever.

IN WITNESS WHEREOF, Seller has caused this General Assignment, Conveyance and Bill of Sale to be executed by its duly authorized officer as of the day of December __, 1998.

TECHNICLONE CORPORATION,
a Delaware corporation

By:_____
Name:_____
Title:_____

EXHIBIT "G"

ESCROW AGREEMENT

Old Republic General Title Insurance Corporation (the "Escrow Holder") has agreed to act as the closing agent and title insurer for the above-referenced transaction. This Escrow Agreement (the "Escrow Agreement") sets forth the instructions, on behalf of Techniclone Corporation, a Delaware corporation ("Seller") and 14282 Franklin Avenue Associates, LLC, a Delaware limited liability company ("Purchaser"), with respect to the recordation of documents, the disbursement of funds, and the issuance of the title policy. Attached and incorporated as Exhibit "A" to this Escrow Agreement is a true and correct copy of the Real Estate Purchase Agreement dated December __, 1998 between Purchaser and Seller (the "Purchase Agreement"). The Escrow Holder is instructed to follow each of the provisions set forth in the Purchase Agreement which pertains to the issues of recordation, disbursement of funds and issuance of the title policy.

ADDITIONAL ESCROW INSTRUCTIONS AND CONDITIONS

1. You are instructed to insert the date when title is transferred and recorded into all undated documents.

2. All funds received in this escrow shall be deposited with other escrow funds in a general escrow account or accounts of the Escrow Holder with any State or National Bank qualified to do business in the State of California and may be transferred to any other such general escrow account or accounts or any duly authorized sub-escrow agent. All disbursements shall be made by check or wire transfer of the Escrow Holder. The parties to this escrow are hereby notified that the funds deposited herein are insured only to the limit provided by Federal Deposit Insurance Corporation.

3. You are authorized to prepare, obtain, record and deliver your usual instrument(s) to carry out the terms and conditions of this escrow. All parties hereby jointly and severally agree to hold the Escrow Holder free and harmless and shall defend against any liability in connection with the preparation of said instruments or documents. You are further authorized to order a policy of title insurance to be issued in accordance with the Agreement at the close of escrow. Close of escrow shall be deemed to be the date instruments are recorded.

4. All adjustments and prorations called for in this escrow are to be made on the basis of a thirty (30) day month unless otherwise instructed in writing.

5. You shall not be held accountable or liable in any manner whatsoever for your failure to comply with any of the provisions of any agreement or instrument deposited or referred to herein, wherein any of the terms of said agreement or instrument are not part of the written instructions of the parties accepted by you. You shall not be held accountable or liable for the sufficiency or correctness as to form, manner of, execution, or validity or any instrument deposited in this escrow, nor as to the identity, authority or rights of any person executing the same. Your duty shall be confined to the safekeeping of money, instruments or other documents received by you as escrow holder and your disposition thereof in accordance with the written mutual instructions accepted by you in this Escrow Agreement.

6. No notice, demand or change of instructions shall be of any effect in this escrow unless given in writing by all parties affected thereby. In the event a demand for the funds on deposit in this escrow is made, not concurred in by all parties hereto, the Escrow Holder, REGARDLESS OF WHO MADE DEMAND THEREFOR AND AFTER MAILING A COPY OF SUCH NOTICE TO EACH OF THE OTHER PARTIES AT THEIR MAILING ADDRESS, may elect to do any of the following:

(i) After thirty (30) days from the date escrow was first notified that the escrow is to be canceled and/or demand for funds was made, absent mutually concurring instructions providing for payment of funds and the disposition to be made of this escrow, the Escrow Holder may return all documents and the funds on deposit to the parties depositing same, LESS cancellation fees and charges incurred, and without liability therefor.

(ii) Withhold and stop all further proceeding in, and performance of, this escrow pending a resolution of any conflict by and between the parties hereto.

(iii) File an action in interpleader and deposit in court all documents and the funds in escrow, LESS cancellation fees, costs, expenses and reasonable attorney's fees incurred, and have no further liability hereunder. Any such actions must comply with the requisite interpleader statutes of the State of California in this regard.

7. If the conditions of this escrow have not been complied with at the time herein provided, you are nevertheless to complete the same as soon as the conditions (except as to time) have been complied with, unless one of the parties shall have made written demand upon you for the return of money and instruments deposited by them.

8. All parties hereto agree, jointly and severally, to pay on demand, as well as to indemnify and hold you harmless from and against all costs, damages, judgments, attorney's fees, expenses, obligations and liabilities of any kind or nature which, in good faith, you may incur or sustain in connection with this escrow, whether arising before or subsequent to the close of this escrow, except, however, any costs, damages, judgments, attorneys fees, expenses, obligations and liabilities incurred as a result of your negligence or willful misconduct.

9. You are authorized to furnish copies of this Escrow Agreement, any supplements or amendments thereto, preliminary title report, notices of cancellation and closing statements pertaining to this escrow to all parties, and duly authorized attorney(s) named in this escrow.

10. These instructions may be executed in counterparts, each of which so executed, shall, irrespective of the date of its execution and delivery to deemed an original, and said counterparts together shall constitute one and the same instrument.

11. These instructions shall become effective as an escrow only upon the delivery thereof to the Escrow Holder signed by all parties hereto.

12. Any funds abandoned or remaining unclaimed for a period of six (6) months after the close of escrow or after conflicting demands have been made to Escrow Holder, after good faith efforts have been made by the Escrow Holder to return same to the party or parties entitled thereto, shall be assessed a custodian fee of $10.00 per month. After three (3) years the amount thereafter remaining unclaimed may escheat to the State of California. In the event you become legally obligated to comply, and complies, with the escheat laws of the State of California, deduct a service charge of $50.00.

13. All documents, closing statements, and balances due the parties to this escrow are to be deposited in the United States mail, postage pre-paid, addressed to the party or parties entitled thereto at the mailing address set forth in this escrow, unless otherwise instructed.

14. The escrow fee to be paid for your services are for ordinary and usual services only and assessed in equal proportionate shares. However, should there be any extraordinary or unusual services rendered by you in this escrow, the party or parties requiring such extraordinary or unusual services agree to pay your reasonable compensation for such services together with any costs and expenses which may be incurred by you in connection therewith.

15. In the event that the parties instruct Escrow Holder to release funds prior to the close of escrow and/or recording of documents, the parties hereby release, indemnify and shall hold harmless Escrow Holder from any and all liability and/or responsibility which may arise including but not limited to any legal action, attorney's fees, costs or claims of any kind by reasons of Escrow Holder complying with said release of funds instruction.

16. All parties hereto acknowledge that no representation is made as to the legal and/or financial consequences of this transaction. All parties have been advised that Escrow Holder is not authorized to give legal and/or financial counsel and further acknowledge that they have been advised to seek advise of such competent legal and financial counsel from the professionals of their choice.

17. You are authorized to destroy or otherwise dispose of any and all documents, papers, instructions, correspondence and other material pertaining to this escrow at the expiration of five (5) years from the date of close or cancellation of escrow without liability and with further notice, authorization and/or consent of the parties.

18. You are not to be concerned, held accountable and/or liable with the giving of any disclosures required by Federal or State law, specifically but not limited to RESPA (Real Estate Settlement Procedures Act), Regulation Z (Truth-In-Lending Disclosures) or other warranties either expressed or implied. In addition, you are not to be held responsible and/or liable for determining that there has been compliance with any matters that are excluded from coverage under the policy of title insurance to be issued in conjunction with close of this escrow including, but not limited to, county or municipal ordinances and state, county or municipal subdivision or land division regulations or laws. Reference is made to the Policy form on file with the insurance Commissioner of the State of California and available through the insuring the Escrow Holder for the parties review for a complete statement of such exclusions.

19. In the event that escrow closes and there are insufficient funds to satisfy the obligations contemplated herein, you shall be entitled to collect a sum equal to said shortage from the party responsible for such charge.

ESCROW HOLDER:

OLD REPUBLIC GENERAL TITLE INSURANCE CORPORATION
as represented by its agent

By:_____

Name:_____

Title:_____

SELLER:

TECHNICLONE CORPORATION,
a Delaware corporation

By:_____
Name:_____
Title:_____

PURCHASER:

14282 FRANKLIN AVENUE ASSOCIATES, LLC,
a Delaware limited liability company

By:_____
Bert Kreisberg, Manager

EXHIBIT "H"

DEED

Order No.	
Escrow No.	
Loan No.	
WHEN RECORDED MAIL TO:	
RUTAN & TUCKER, LLP	
611 Anton Boulevard, Suite 1400	
Costa Mesa, CA 92626	
Attn: Mary M. Green, Esq.	
MAIL TAX STATEMENTS AS DIRECTED TO:	
TNCA, LLC	
c/o the Bentley-Forbes Group, LLC	
1900 Avenue of the Stars, Suite 2840	
Los Angeles, CA 90067-4509	

SPACE ABOVE THIS LINE FOR RECORDER'S USE

_____

Signature of Declarant or Agent determining tax - Firm Name

DOCUMENTARY TRANSFER TAX $ See attached statement of tax due
.....Computed on the consideration or value of property conveyed; OR
.....Computed on the consideration or value less liens or encumbrances
remaining at time of sale.

CORPORATION GRANT DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, TECHNICLONE CORPORATION , a Delaware corporation, a corporation organized under the laws of the State of California, does hereby GRANT to TNCA, LLC, Delaware limited liability company, the real property in the City of Tustin, County of Orange, State of California, described in EXHIBIT "A" attached hereto and made a part hereof.

The Property is conveyed subject to (i) non-delinquent general and special real property taxes and assessments; (ii) restrictions, encumbrances, reservations, limitations, conditions, easements, agreements and all other matters of public record; (iii) a statement of facts which an accurate survey and personal inspection of the Property may show; (iv) slope, drainage, grading and other rights, public and private, in and over a portion of the property lying in or abutting any public or private street, road or highway; (v) all streets and public rights of way.

Dated: _____, 1998

TECHNICLONE CORPORATION,
a Delaware corporation

By: _____

Its:_____

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____ 1998, before me, _____, Notary Public, personally appeared _____ _____ personally known to me(or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

_____
Notary Public

[SEAL]

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

SAID LAND IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL A:

PARCELS 2 AND 3 OF PARCEL MAP 95-115, IN THE CITY OF TUSTIN, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 290 PAGE (S) 3 THROUGH 5 INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, TOGETHER WITH THE PERPETUAL RIGHTS OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LAND OTHER THAN THOSE HEREINABOVE DESCRIBED, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OF THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AS RESERVED IN DEEDS OF RECORD.

PARCEL B:

EASEMENTS FOR ACCESS, INGRESS, EGRESS, AND PARKING OVER PARCEL A OF PARCEL MAP RECORDED IN BOOK 290, PAGES 3, 4 AND 5 OF PARCEL MAPS AS SET FORTH IN THAT CERTAIN DECLARATION OF RESTRICTIONS ENTITLED "FRANKLIN COURT" AND RECORDED JANUARY 9, 1996 AS INSTRUMENT NO. 96-0012667 AND RE-RECORDED APRIL 30, 1996 AS INSTRUMENT NO. 96-214962 BOTH OF OFFICIAL RECORDS.

SCHEDULE "1"

SELLER'S RETAINED PROPERTY

SCHEDULE "5.5.1"

VIOLATIONS

SEE RESOLUTION NO. 95-82 OF THE CITY COUNCIL OF THE CITY OF TUSTIN, CALIFORNIA, DATED SEPTEMBER 18, 1995. A COPY OF WHICH HAS BEEN PROVIDED TO PURCHASER.

SCHEDULE "5.6.2"

ENVIRONMENTAL MATTERS

NONE

SCHEDULE "5.6.3"

ENVIRONMENTAL MATTERS

Except as set forth in the Vista - E/Risk Hazard Disclosure Report on the Property, dated November 3, 1998 (ERN: 110398-238), there are no other environmental matters.

SCHEDULE "5.6.4"

ENVIRONMENTAL MATTERS

NONE

EXHIBIT 10.48

LEASE AND AGREEMENT OF LEASE

Between

TNCA, LLC
a Delaware limited liability company

as Landlord

and

TECHNICLONE CORPORATION,
a Delaware corporation

as Tenant

Dated: As of December 24, 1998

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LEASE

AND

AGREEMENT OF LEASE

THIS LEASE AND AGREEMENT OF LEASE (the "Lease") is made, entered into and effective this 24 day of December, 1998 (the "Commencement Date"), by and between TNCA, LLC, a Delaware limited liability company, and its successors or assigns (the "Landlord"), whose address for purposes of notice hereunder is 1900 Avenue of the Stars, Suite 2840, Los Angeles, CA 90067, Fax: (310) 282-8585 and Techniclone Corporation, a Delaware corporation (the "Tenant"), whose address for purposes of notice hereunder is 14282 Franklin Avenue, Tustin, CA 92780, Fax: (714) 838-4094

R E C I T A L S

This Lease is made with reference to the following facts and objectives, and may be entered as admissions against either party by the other in any action arising from or related to this Lease.

Landlord is the owner of the following: (i) certain tract(s) or parcel(s) of land located in Tustin, California, and more particularly described on the attached and incorporated Exhibit "A" (the land described above, together with all rights, interests, easements, rights of way and appurtenances related thereto, shall hereinafter be referred to as the "Land"); and (ii) a building or buildings located or to be located on the Land at 14272 and 14282 Franklin Avenue, Tustin, CA, and all other structures and improvements existing or to be constructed on the Land, together with all fixtures and equipment therein owned by Landlord and used in the operation of the same (collectively, the "Improvements"). The Land and Improvements are hereinafter collectively referred to as the "Premises." No easement for light, air or view is included with or appurtenant to the Premises.

In connection with the financing of the Premises, Landlord has executed and delivered a promissory note (the "Note") to Finova Realty Capital, Inc., a Delaware corporation (together with its successors and assigns, the "Lender"). To secure the payment of such Note, the Landlord has granted a mortgage lien on the Premises pursuant to a Deed of Trust and Security Agreement of even date herewith (the "Mortgage") and an Assignment of Rents and Leases of even date herewith (the "Assignment") on the Premises to the Lender, and entered into that certain loan commitment with Lender dated November 19, 1998 (the "Loan Commitment"). The aforesaid Note, Loan Commitment, Mortgage and Assignment and all related instruments and documents are hereinafter referred to as the "Loan Documents" and the transaction to which the these instruments and documents relate is hereinafter referred to as the "Loan." Reference herein to "Default Rate" and "Default Rate Interest" shall have the meaning set forth in Article 5 of the Note, which is the lesser of thirteen percent (13%) or the maximum amount permitted by applicable law.

Pursuant to all of the terms, conditions, covenants and provisions of this Lease, Tenant desires to lease the Premises from Landlord, and Landlord desires to lease the Premises to Tenant, for the rents and during the terms hereinafter set forth.

Landlord acquired the Premises on the date that the initial term of this Lease commenced and for the period of at least one year prior to said commencement date, Tenant owned, occupied and operated the Premises.

Tenant is currently operating biotechnology research, development and manufacturing operations in the Premises and intends to continue to do so during the term of this Lease. Tenant has examined the title of the Premises, the physical condition of the premises, environmental studies and reports of the Premises, and the economic feasibility of conducting Tenant's research and manufacturing operations in and from the Premises. Tenant has determined that the same are satisfactory to Tenant, and Tenant accepts the Premises on an "AS IS WHERE IS" basis. TENANT ACKNOWLEDGES THAT LANDLORD (WHETHER ACTING AS LANDLORD HEREUNDER OR IN ANY OTHER CAPACITY) HAS NOT MADE AND WILL NOT MAKE, NOR SHALL LANDLORD BE DEEMED TO HAVE MADE, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE PREMISES, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OR REPRESENTATION AS TO ITS FITNESS FOR USE OR PURPOSE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE, AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, AS TO LANDLORD'S TITLE THERETO, OR AS TO VALUE, COMPLIANCE WITH APPLICABLE LAWS, SPECIFICATIONS, LOCATION, USE, CONDITION, MERCHANTABILITY, QUALITY, DESCRIPTION, DURABILITY OR OPERATION, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY TENANT. Tenant acknowledges that the Premises are of its selection and to its specifications, and that the Premises have been inspected by Tenant and are satisfactory to it. In the event of any defect or deficiency in any of the Premises of any nature, whether patent or latent, Landlord shall not have any responsibility or liability with respect thereto or for any incidental or consequential damages (including strict liability in tort).

The Premises are Landlord's sole asset. The rents to be paid by Tenant to Landlord hereunder will be used by Landlord to, among other things, satisfy Landlord's obligations under the Loan Documents. It is, therefore, the parties' objective to provide for an absolute "Bond Type" net net net lease to Landlord; the Basic Rent (as hereinafter defined) payable by Tenant hereunder shall be an absolute "Bond Type" net net net return to Landlord and Tenant shall pay all costs and expenses relating to the Premises and Tenant's research and manufacturing operations carried on therein.

NOW, THEREFORE, IN CONSIDERATION of the aforesaid Recitals, and in consideration of the Premises leased by Landlord to Tenant hereby, and in consideration of the rents and covenants to be paid and performed by Tenant hereunder, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows:

I. LEASE.

1.1. DEMISE OF PREMISES. In consideration of the rents and covenants herein stipulated to be paid and performed, Landlord hereby demises the Premises to Tenant, and Tenant hereby lets and accepts the Premises from Landlord, for the term herein described.

1.2. TITLE AND CONDITION. The Premises are demised and let "as is" subject to (a) the rights of any parties in possession and the existing state of the title as of the commencement of the term of this Lease, (b) any state of facts which an accurate survey or physical inspection thereof might show, (c) all zoning regulations, restrictions, rules and ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction over the condition of any buildings, structures and other improvements located thereon, as of the commencement of the term of this Lease, without representation or warranty by Landlord. Tenant represents that it has examined the title to and the condition of the Premises and has found the same to be satisfactory to it.

1.3. USE OF LEASED PREMISES.

(a) Tenant may occupy and use the Premises for a research facility and related uses, including the manufacturing of pharmaceutical products, office uses, laboratories and light warehousing, or for any other lawful purpose, (except that the Premises may not be used for or associated with a pornographic shop, adult book store, or massage parlor) so long as such other lawful purpose would not (i) have a material adverse effect on the value of the Premises, (ii) increase (when compared to use as a research facility) the likelihood that Tenant, Landlord or Lender would incur liability under any provisions of any Environmental Laws, or (iii) result in or give rise to any material environmental deterioration or degradation of the Premises, including without limitation, mining or the removal of oil, gas or minerals, or (iv) violate any covenants, easement agreements, deed restrictions, agreements of record affecting the Premises or Applicable Laws. Tenant shall not create or suffer to exist any public or private nuisance, hazardous or illegal condition or waste on or with respect to the Premises. Tenant shall not use, occupy or permit any of the Premises to be used or occupied, nor do or permit anything to be done in or on any of the Premises, in a manner which would (A) make void or voidable any insurance which Tenant is required hereunder to maintain then in force with respect to any of the Premises, or (B) affect the ability of Tenant to obtain any insurance which Tenant is required to furnish hereunder, or (C) impair Landlord's title to the Premises, or in such manner as might reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or third Persons, or of implied dedication of the Premises or any portion thereof. Nothing contained in this Lease and no action by Landlord shall be construed to mean that Landlord has granted to Tenant any authority to do any act or make any agreement that may create any such third party or public right, title, interest, lien, charge or other encumbrance upon the estate of the Landlord in the Premises. The preceding sentence does not limit Tenant's right to assign or sublet its interest hereunder, as provided in Section 8.

(b) Tenant shall not conduct its business operation in the Premises unless and until (and only during such time as) all necessary certificates of occupancy, permits, licenses and consents from any and all appropriate governmental authorities have been obtained by Tenant and are in full force and effect.

1.4. QUIET ENJOYMENT. For so long as no Event of Default (as hereinafter defined) has occurred and is continuing hereunder, Landlord warrants peaceful and quiet enjoyment of the Premises by Tenant against acts of Landlord or anyone claiming through Landlord, provided that Landlord and its agents may enter upon and examine the Premises at reasonable times upon 24 hours prior notice, except in the event of a bona fide emergency. Exercise by Landlord of its rights to come upon the Premises as set forth in this Lease, including any limitations prescribed by federal law, shall not constitute a violation of this Section 1.4.

II. TERM.

2.1. TERM. Subject to the terms and conditions hereof, Tenant shall have and hold the Premises for a primary term (herein called the "Primary Term") commencing on the date hereof, and ending at midnight on December 31, 2010. Thereafter, Tenant shall have the rights and options to extend this Lease for two (2) consecutive extended terms of five (5) years each (herein called the "Extended Terms" and individually, an "Extended Term," and together with the Primary Term, called the "Terms") upon the expiration of the Primary Term or the preceding Extended Term unless this Lease shall be sooner terminated pursuant to

Article VII of this Lease. If no default or Event of Default shall exist and be continuing hereunder beyond any applicable cure period, each Extended Term shall commence on the day immediately succeeding the expiration date of the Primary Term or the preceding Extended Term and shall end at midnight on the day immediately preceding the fifth anniversary of the first day of such Term. Provided no Event of Default shall exist and be continuing at the time of exercise of such option, Tenant may exercise each said option to extend this Lease for an Extended Term by giving written notice to that effect at least eighteen (18) months prior to the expiration of the then existing term. Notwithstanding the foregoing, if Tenant fails to give notice to Landlord to extend the Term of the Lease within said eighteen (18) month period, Landlord shall give written notice to Tenant of said failure to give notice and Tenant shall have an additional thirty (30) days after said notice is given to exercise said Extended Term. If Tenant does not exercise any such option in a timely manner after such notice, then Landlord shall have the right during the remainder of the Term of this Lease to advertise the availability of the Premises for sale or reletting and to erect upon the Premises signs appropriate for the purpose of indicating such availability. The phrase "term of this Lease" or "term hereof" means the Primary Term, plus any Extended Terms with respect to which the right has been exercised. The term "Lease Year" shall mean such successive period of twelve (12) consecutive calendar months commencing on the "Commencement Date" (hereinafter defined). Except as otherwise expressly provided herein, all of the provisions of this Lease shall be applicable during each Extended Term.

III. BASIC RENT; ADDITIONAL RENT; SECURITY DEPOSIT.

3.1. BASIC RENT. Tenant covenants to pay to Landlord as and for the rental of the Premises the amounts set forth below (which amounts, as increased by the amounts provided for in Section 3.2 hereof, is together called the "Basic Rent"):

(a) For and with respect to the first twenty four (24) calendar months of the Primary Term, including the partial month, if any, immediately following the Commencement Date (hereinafter defined), at the rate of Six Hundred Seventy Five Thousand Dollars ($675,000.00) per annum, payable in equal monthly installments of Fifty Six Thousand Two Hundred Fifty Dollars ($56,250.00);

(b) For and with respect to the second twenty four (24) calendar months of the Primary Term, at the rate of Six Hundred Ninety Seven Thousand Six Hundred Twelve and 50/100 Dollars ($697,612.50) per annum, payable in equal monthly installments of Fifty Eight Thousand One Hundred Thirty Four and 38/100 Dollars ($58,134.38).

(c) For and with respect to the third twenty four (24) calendar months of the Primary Term, at the rate of Seven Hundred Twenty Thousand Nine Hundred Eighty Two and 52/100 Dollars ($720,982.52) per annum, payable in equal monthly installments of Sixty Thousand Eighty One and 88/100 Dollars ($60,081.88).

(d) For and with respect to the fourth twenty four (24) calendar months of the Primary Term, at the rate of Seven Hundred Forty Five Thousand One Hundred Thirty Five and 43/100 Dollars ($745,135.43) per annum, payable in equal monthly installments of Sixty Two Thousand Ninety Four and 62/100 Dollars ($62,094.62).

(e) For and with respect to the fifth twenty four (24) calendar months of the Primary Term, at the rate of Seven Hundred Seventy Thousand Ninety Seven and 47/100 Dollars ($770,097.47) per annum, payable in equal monthly installments of Sixty Four Thousand One Hundred Seventy Four and 79/100 Dollars ($64,174.79).

(f) For and with respect to the sixth twenty four (24) calendar months of the Primary Term, at the rate of Seven Hundred Ninety Five Thousand Eight Hundred Ninety Five and 74/100 Dollars ($795,895.74) per annum, payable in equal monthly installments of Sixty Six Thousand Three Hundred Twenty Four and 64/100 Dollars ($66,324.64).

(g) If Tenant's option to extend the Term of this Lease is exercised, for and with respect to each twenty four (24) calendar months during the Extended Term, at the rate that is equal to 103.35 % multiplied by the rent payable during the immediately preceding twenty four (24) calendar month period.

Basic Rent payments are due on the first of each calendar month (Basic Rent Payment Date") and are payable monthly in advance. Tenant unconditionally and irrevocably agrees to make the Basic Rent payments directly to Lender for so long as the Note is outstanding. Thereafter, Tenant shall make Basic Rent payments to Landlord or Landlord's designee. Tenant shall pay the same by immediately available funds on the Basic Rent Payment Date; provided, however, that on the Commencement Date Tenant shall pay to Landlord the first installment of Basic Rent in an amount equal to the aggregate per diem Basic Rent for each day between the Commencement Date and the first day of the first full calendar month after the month on which the Commencement Date falls. All payments of Basic Rent shall be accompanied by the following advice:

_____Bond Lease
Rent for (month/year)
to:

_____
ABA No.
Account No.

3.2. ADDITIONAL RENT.

3.2.1 Tenant shall pay and discharge before the imposition of any fine, lien, interest or penalty may be added thereto for late payment thereof, as Additional Rent, all other amounts and obligations which Tenant assumes or agrees to pay or discharge pursuant to this Lease, together with every fine, penalty, interest and cost which may be added by the party to whom such payment is due for nonpayment or late payment thereof. In the event of any failure by Tenant to pay or discharge any of the foregoing, Landlord shall have all rights, powers and remedies provided herein, by law or otherwise, in the event of nonpayment of Basic Rent.

3.2.2 Notwithstanding the provisions of Sections 3.2.1 and 4.1 herein, in respect of the payment of real estate taxes as Additional Rent, Tenant shall pay to Landlord on the first day of each calendar month (i) one-twelfth of an amount which would be sufficient to pay real estate taxes payable, or estimated by Landlord to be payable, during the next ensuing twelve (12) months.

3.3. LATE CHARGE. If any installment of Basic Rent is not paid within five (5) days of when the same is due, Tenant shall pay to Landlord or Lender, as the case may be, on demand, as Additional Rent, an amount equal to five percent (5%) of such overdue installment of Basic Rent plus interest at the Default Rate (which amounts are together called the "Late Charge").

3.4. SECURITY DEPOSIT. To secure the faithful performance by Tenant of the covenants, conditions and agreements set forth in this Lease to be performed by it, Tenant shall deposit with Landlord, within ten (10) days following Tenant's execution of this Lease, and thereafter at all times during the continuance of this Lease shall maintain on deposit with Landlord, a security deposit in an amount equal to two (2) months Basic Rent under the Primary Term ("Security Deposit"). Tenant shall pay the Security Deposit on the understanding (a) that the Security Deposit or any portion thereof may be applied to the curing of any default that may exist, without prejudice to any other remedy or remedies that Landlord may have on account thereof, and upon such application Tenant shall pay Landlord on demand the amount so applied which shall be added to the Security Deposit so that the same will be restored to the required amount; (b) that should the Premises be transferred by Landlord, the Security Deposit or any balance thereof may be turned over to Landlord's successor or transferee, and Tenant agrees to look solely to such successor or transferee for such application or return; (c) that Landlord or its successors shall hold the Security Deposit as a separate fund and shall not commingle it with other funds; (d) that the Security Deposit shall not be deemed prepaid rent; and (e) that if Tenant shall faithfully perform all of the covenants and agreements in this Lease contained on the part of Tenant to be performed, the Security Deposit, or any then remaining balance thereof, shall be returned to Tenant, without interest, within thirty (30) days after the expiration of the Terms.

3.5. TRUE LEASE. Landlord and Tenant agree that this Lease is a true lease and does not represent a financing arrangement.

3.6. NET LEASE; NON-TERMINABILITY.

(a) This is an absolutely net lease to Landlord. It is the intent of the parties hereto that the Basic Rent payable under this Lease shall be an absolutely net return to Landlord and that Tenant shall pay all costs and expenses relating to the Premises and all operations carried on therein, unless otherwise expressly provided in this Lease. Any amount or obligation herein relating to the Premises which is not expressly declared to be that of Landlord shall be deemed to be an obligation of Tenant to be timely performed by Tenant at Tenant's expense. Basic Rent, Additional Rent and all other sums payable hereunder by Tenant, shall be paid without notice, demand, set-off, counterclaim, abatement, suspension, deduction or defense.

(b) This Lease shall not terminate nor shall Tenant have any right to terminate this Lease (except as otherwise expressly provided in Article VII), nor shall Tenant be entitled to any abatement or reduction of rent hereunder (except as expressly provided in Article VII of this Lease), nor shall the obligations of Tenant under this Lease be affected by reason of: (i) any damage to or destruction of all or any part of the Premises from whatever cause; (ii) the taking in whole or in part of the Premises or any portion thereof by condemnation, requisition or otherwise except as provided in Article VII; (iii) the prohibition, limitation or restriction of Tenant's use of all or any part of the Premises, or any interference with such use; (iv) any eviction by paramount title or otherwise or any other defect in title or breach of the right of Tenant to quiet enjoyment of the Premises; (v) Tenant's acquisition or ownership of all or any of the Premises otherwise than as expressly provided herein; (vi) any default on the part of Landlord under this Lease, or under any other agreement to which Landlord and Tenant may be parties; (vii) any abandonment of the Premises by Tenant; or (viii) any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. It is the intention of the parties hereto that the obligations of Tenant hereunder shall be separate and independent covenants and agreements, that the Basic Rent, the Additional Rent and all other sums payable by Tenant hereunder shall continue to be payable in all events and that the obligations of Tenant hereunder shall continue unaffected, unless the requirement to pay or perform the same shall have been terminated pursuant to Article VII of this Lease.

(c) Tenant agrees that it will remain obligated under this Lease in accordance with its terms, and it will not take any action to terminate, rescind or avoid this Lease because of: (i) any readjustment, liquidation, dissolution, or winding-up or other proceeding affecting Landlord or its successors-in-interest or (ii) any action with respect to this Lease which may be taken by any trustee or receiver of Landlord or its successors-in-interest or by any court in any such proceeding.

(d) Tenant waives all rights which may now or hereafter be conferred by law or otherwise (i) to quit, terminate or surrender this Lease or the Premises or any part thereof, or (ii) to any abatement, suspension, deferment or reduction of the Basic Rent, Additional Rent or any other sums payable under this Lease, except as otherwise provided in Article VII of this Lease.

(e) Under no circumstances shall Landlord be required to make any payment of any kind hereunder or to have any obligation with respect to the use, possession, control, maintenance, alteration, rebuilding, replacing, repairing, restoration or operation of all or any part of the Premises.

IV. PAYMENT OF IMPOSITIONS, TAXES AND ASSESSMENTS; COMPLIANCE WITH LAW; ENVIRONMENTAL MATTERS.

4.1. PAYMENT OF IMPOSITIONS. Tenant shall pay or discharge all Impositions (as hereinafter defined) when due. Notwithstanding the foregoing provision of this Section 4.1, Tenant shall not be required to pay any franchise, corporate, estate, inheritance, succession, transfer (other than transfer taxes, recording fees, or similar charges payable in connection with a conveyance hereunder to Tenant), income, excess profits or revenue taxes of Landlord hereunder. In the event the Premises are sold by Landlord during the Terms, Tenant shall not be responsible for the payment of real estate taxes based on an assessed value in excess of 125% of the current appraised value of the Premises. Tenant agrees to furnish to Landlord and Lender, evidence of the payment of the taxes and other Impositions described in Section 11.12(a) within fifteen (15) days after payment thereof. In the event that any Imposition levied or assessed against the Premises becomes due and payable during the term hereof and may be legally paid in installments, Tenant shall have the option to pay such Imposition in installments. In such event, Tenant shall be liable only for those installments which become due and payable during the term hereof.

4.2. COMPLIANCE WITH LAWS. Tenant shall, at its expense, comply with and shall cause the Premises to comply with all governmental statutes, laws, rules, orders, regulations and ordinances, including without limitation, the Americans with Disabilities Act of 1990, as the same may be amended from time to time, all fire regulations, occupational health and safety laws, applicable point of sale laws, building codes, Environmental Laws (hereafter defined), zoning and land use laws and regulations ("Applicable Laws"), and any other law the failure to comply with which at any time would affect the Premises or any part thereof, or the use thereof, including those which require the making of any structural, unforeseen or extraordinary changes, whether or not any of the same involve a change of policy on the part of the body enacting the same. Tenant shall, at its expense, comply with all changes required in order to obtain the Required Insurance (as hereinafter defined), and with the provisions of all contracts, agreements, instruments, easements, restrictions, reservations or covenants existing at the commencement of this Lease or thereafter suffered or permitted by Tenant affecting the Premises or any part thereof or the ownership, occupancy or use thereof. To the extent otherwise applicable hereunder, Landlord agrees to comply with all Environmental Laws and Applicable Laws in connection with its ownership of the Premises.

4.3. PERMITTED CONTESTS. Tenant shall not be required to: (i) pay any Imposition; (ii) comply with any statute, law, rule, order, regulation or ordinance; (iii) discharge or remove any lien, encumbrance or charge; or (iv) obtain any waivers or settlements or make any changes or take any action with respect to any encroachment, hindrance, obstruction, violation or impairment referred to in Section 5.3, so long as Tenant shall contest, in good faith and at its expense, the existence, the amount or the validity thereof, the amount of the damages caused thereby, or the extent of its liability therefor, by appropriate proceedings. While any such proceedings are pending, Landlord shall not have the right to pay, remove or cause to be discharged the tax, assessment, levy, fee, rent or charge or lien, encumbrance or charge thereby being contested. Tenant shall deposit in escrow a sum no less than 125% of the amount being contested (or bond over or furnish alternate security satisfactory to Landlord) as security for the payment of Impositions which Tenant may ultimately be held responsible for. For so long as the Note is outstanding, the escrow account for permitted contests shall be established with Lender or Lender's designee and the cost of such escrow shall be borne by Tenant. No such contest or proceedings shall in any way eliminate or otherwise interfere with Tenant's obligation to make timely payments of Basic Rent and additional rent under this Lease. Tenant further agrees that each such contest shall be promptly prosecuted to a final conclusion. Tenant shall pay, indemnify and save Landlord and Lender harmless against, any and all losses, judgments, decrees and costs (including all attorneys' fees, appearance costs and expenses) in connection with any such contest and shall, promptly after the final settlement, compromise or determination of such contest, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, together with all penalties, fines, interests, costs and expenses thereof or in connection therewith, and perform all acts, the performance of which shall be ordered or decreed as a result thereof; provided, however, that nothing herein contained shall be construed to require Tenant to pay or discharge any lien, encumbrance or other charge created by any act or failure to act of Landlord or the payment of which Tenant is not otherwise required to perform hereunder. No such contest shall subject Landlord or Lender to the risk of any criminal or putative civil liability.

4.4. HAZARDOUS MATERIALS. Tenant shall:

(a) not cause, except for items sold or used in the ordinary course of Tenant's business in compliance with Applicable Laws and for which appropriate licenses and permits are issued (if required), including without limitation a class F operating permit, or permit any Hazardous Material (as defined below) to exist on or discharge from the Premises, and shall promptly: (i) pay any claim against Tenant, Landlord, Lender or the Premises; (ii) remove any charge or lien upon any of the Premises; and (iii) defend, indemnify and hold Landlord and Lender harmless from any and all claims, expenses, liability, loss or damage, in any case resulting from any Hazardous Material that at any time exists on or is discharged from the Premises;

(b) not cause or permit any Hazardous Material to exist on or to discharge from any property owned or used by Tenant which is not in compliance with Applicable Laws or a class F operating permit or which would result in any charge or lien upon the Premises and shall promptly: (i) pay any claim against Tenant, Landlord, Lender or the Premises; (ii) remove any charge or lien upon the Premises; and (iii) defend, indemnify and hold Landlord and Lender harmless from any and all claims, expenses, liability, loss or damage, in any case resulting from the existence or discharge of any such Hazardous Material on, under or off the Premises;

(c) notify Landlord and Lender within ten (10) days after Tenant first has knowledge of any of the following:

(i) that Hazardous Material exists on or has been discharged from or onto the Premises (whether originating thereon or migrating to the Premises from other property) in violation of Applicable Laws or a class F operating permit;

(ii) that Tenant is subject to investigation by any governmental authority evaluating whether any remedial action is needed to respond to the release or threatened release of any Hazardous Material into the environment from the Premises;

(iii) notice or claim to the effect that Tenant is or may be liable to any person as a result of the release or threatened release of any Hazardous Material into the environment from the Premises in violation of Applicable Laws or a class F operating permit;

(iv) notice that the Premises are subject to an environmental lien;

(v) notice of violation to Tenant or awareness by Tenant of a condition which might reasonably result in a notice of violation of any Applicable Laws or a class F operating permit that could have a material adverse effect upon the Premises.

(d) comply, and cause the Premises to comply, with all statutes, laws, ordinances, rules and regulations, including the operating conditions of a class F operating permit of all local, state or federal authorities having authority over the Premises or any portion thereof or their use, including without limitation, relative to any Hazardous Material, petroleum products, asbestos containing materials or PCB's.

(e) cause any construction or alterations of the Premises to be done in a way so as to not expose in an unsafe manner the persons working on or visiting the Premises to Hazardous Materials present upon the Premises and in connection with such construction or alterations shall remove any Hazardous Materials present upon the Premises which are not in compliance with Applicable Laws or the conditions of Tenant's class F operating permit or which present a danger to persons working on or visiting the Premises.

(f) If there exists a threat of an immediate release of Hazardous Materials from, on, at, to or under the Premises in violation of any Applicable Laws or the conditions of Tenant's class F operating permit, and Tenant fails to take steps necessary to prevent such immediate release, Landlord shall have the right, but not the obligation, to take any action which is required to prevent such immediate release. Landlord make take such emergency action with only such notice (if any) as is practical, in Landlord's judgment. Tenant shall, pay and reimburse Landlord as Additional Rent, forthwith upon being billed for same by Landlord, the cost of such emergency action. Such amount shall bear interest at the Lease Default Rate from the date of billing until paid.

(g) "HAZARDOUS MATERIAL" means any hazardous or toxic material, substance or waste which is defined by those or similar terms or is regulated as such under any Environmental Laws. "ENVIRONMENTAL LAWS" means any statute, law, ordinance, rule or regulation of any local, county, state or federal authority having jurisdiction over the Property or any portion thereof or its use as the same may be amended from time to time, including but not limited to: (i) the Federal Water Pollution Control Act (33 U.S.C. Section 1317) as amended; (ii) the Federal Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.) as amended; (iii) the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. Section 9601 et seq.) as amended; (iv) the Toxic Substance Control Act (15 U.S.C. Section 2601) as amended; (v) the Clean Air Act (42 U.S.C. Section 7401) as amended; and (vi) the Federal Insecticide, Fungicide and Rodenticide Act (7 U.S.C. Section 1336 et seq.).

(h) Except to the extent of liability resulting from or arising out of the gross negligent or willful act of Landlord or Lender or their agents or their successors and assigns on or about the Premises, Tenant agrees to protect, defend, indemnify and hold harmless Landlord, its members, directors, officers, employees and agents, and any successors to Landlord's interest in the chain of title to the Premises, their direct or indirect partners, members, directors, officers, employees, and agents, from and against any and all liability, including all foreseeable and all unforeseeable damages including but not limited to attorneys' and consultants' fees, fines, penalties and civil or criminal damages, directly or indirectly arising out of the use, generation, storage, treatment, release, threatened release, discharge, spill, presence or disposal of Hazardous Materials from, on, at, to or under the Premises prior to or during the Term of this Lease, and including, without limitation, the cost of any required or necessary repair, response action, remediation, investigation, cleanup or detoxification and the preparation of any closure or other required plans, whether such action is required or necessary prior to or following transfer of title to the Premises by Tenant. This agreement to indemnify and hold harmless shall be in addition to any other obligations or liabilities Tenant may have to Landlord at common law under all statutes and ordinances or otherwise, and shall survive following the date of expiration or earlier termination of this Lease without limit of time. Tenant expressly agrees that the representations, warranties and covenants made and the indemnities stated in this Lease are not personal to Landlord, and the benefits under this Lease may be assigned to subsequent parties in interest to the chain of title to the Premises, which subsequent parties in interest may proceed directly against Tenant to recover pursuant to this Lease. Tenant, at its expense, may institute appropriate legal proceedings with respect to environmental matters of the type specified in this paragraph 4.4 (h) or any lien for such environmental matters, not involving Landlord or Lender as a defendant (unless Landlord or Lender is the alleged cause of the damage), conducted in good faith and with due diligence, provided that such proceedings shall not in any way impair the interests of Landlord or lenders under this Lease or contravene the provisions of any first mortgage. Counsel to Tenant in such proceedings shall be reasonably approved by Landlord if Landlord is a defendant in the same proceeding. Landlord shall have the right to appoint co-counsel, which co-counsel will cooperate with Tenant's counsel in such proceedings. The fees and expenses of such co-counsel shall be paid by Landlord, unless such co-counsel are appointed because the interests of Landlord and Tenant in such proceedings, in such counsel's opinion, are or have become adverse, or Tenant or Tenant's counsel is not conducting such proceedings in good faith or with due diligence. Notwithstanding any other provision of this Lease, Landlord and Lender shall have the right to participate in the defense or settlement of any cause of action, suit, claim, or demand alleging the violation of any Environmental Laws, whether or not Landlord or Lender have been named or joined as parties to such cause of action, suit, claim or demand.

V. MAINTENANCE AND REPAIR; ALTERATIONS.

5.1. MAINTENANCE AND REPAIR. Tenant acknowledges that it has received the Premises in good condition, repair and appearance. Tenant agrees that, at its expense, it will keep and maintain the Premises, including any altered, rebuilt, additional or substituted buildings, structures and other improvements thereto, in good condition and repair. It will make promptly, all structural and nonstructural, foreseen and unforeseen, ordinary and extraordinary changes and repairs or replacements of every kind which may be required to be made to keep and maintain the Premises in such good condition, repair and appearance and it will keep the Premises orderly and free and clear of rubbish. Tenant shall maintain on the Premises, and turn over to Landlord upon expiration or termination of this Lease, any current operating manuals for any equipment or operating systems owned by Landlord that now exist and are in possession or control of Tenant, or are hereafter located on the Premises. Tenant covenants not to install any underground storage tanks on the Premises. Tenant agrees that its obligation to maintain and repair the Premises as set forth in this Section 5.1 benefit both Landlord and Tenant, are the sole responsibility of Tenant, and may not be delegated. Tenant further covenants to perform or observe all terms, covenants or conditions of any reciprocal easement, deed covenant running with the land or maintenance agreement to which it may at any time be a party or to which the Premises are currently subject. Tenant shall, at its expense, use its best efforts to enforce compliance with any reciprocal easement or maintenance agreement benefiting the Premises by any other person subject to such agreement. Tenant shall maintain the Premises on compliance with all Applicable Laws and in accordance with the requirements of all insurance policies required to be maintained by Tenant hereunder. Landlord shall not be required to maintain, repair or rebuild, or to make any alterations, replacements or renewals of any nature to the Premises, or any part thereof, whether ordinary or extraordinary, structural or nonstructural, foreseen or not foreseen to maintain the Premises or any part thereof in any way. Tenant hereby expressly waives the right to make repairs at the expense of Landlord which may be provided for in any law in effect at the time of the commencement of the term of this Lease or which may thereafter be enacted. If Tenant shall abandon the Premises, it shall give Landlord and Lender immediate notice thereof. The obligations of the Tenant to pay Basic Rent and Additional Rent shall not be eliminated, reduced, suspended, or otherwise impaired by reason of such abandonment of the Premises. In the event that the Premises shall violate any law and as a result of such violation an enforcement action is threatened or commenced against Tenant or with respect to the Premises, then Tenant shall either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such violation, whether the same shall affect Landlord, Tenant or both, or (ii) take such action as shall be necessary to remove such violation, including, if necessary, making any necessary repairs or replacements, structural or otherwise.

5.2. ENGINEERING REPORT. Beginning the Sixth Lease Year, and every five (5) years thereafter, Landlord shall have the right to have an engineering study of the Premises ("Engineering Report") prepared by a qualified engineering firm, in scope and form consistent with industry standards and at Landlord's cost. The Engineering Report shall include, without limitation, a study or analysis of (a) all structural components of the Premises, (b) all mechanical, electrical, plumbing, HVAC, sprinkler, fire suppression, elevators, and other building systems and equipment designated by Landlord, and (c) the roof of the building. Tenant shall be provided with a copy of the Engineering Report and shall correct any deficiencies requested by Lender which do not meet the maintenance and repair provisions of Section 5.1 of this Lease or which violate any Applicable Laws or the conditions of Tenant's class F operating permit. If any such deficiency noted in the Engineering Report is not corrected by Tenant within one hundred twenty (120) days of Tenant's receipt of the report, Landlord shall have the right to take all necessary action to correct such deficiency. In such event, the cost of both Landlord's corrective action and the cost of the Engineering Report shall constitute Additional Rent and be promptly reimbursed by Tenant.

5.3. ENCROACHMENTS. If any Improvements situated on the Premises at any time during the Terms of this Lease shall encroach upon any property, street or right-of-way adjoining or adjacent to the Premises, or shall violate the agreements or conditions contained in any restrictive covenant affecting the Premises or any part thereof, or shall impair the rights of others under or hinder or obstruct any easement or right-of-way to which the Premises are subject, then, promptly after the written request of Landlord or any person affected by any such encroachment, violation, impairment, hindrance or obstruction, Tenant shall, at its expense, either (i) obtain effective waivers, or settlements of all claims, liabilities and damages resulting from each such encroachment, violation, impairment, hindrance or obstruction whether the same shall affect Landlord, Tenant or both, or (ii) make such changes in the improvements on the Premises and take such other action as shall be necessary to remove such encroachments, hindrances or obstructions and to end such violations or impairments, including, if necessary, the alteration or removal of any improvement on the Premises or (iii) obtain a waiver or consent to the encroachment or an encroachment permit or easement for the life of the encroachment. Any such alteration or removal shall be made in conformity with the requirements of Section 5.4 hereof to the same extent as if such alteration or removal were an alteration under the provisions of Section 5.4. Landlord shall cooperate and use its best efforts to cause Lender to cooperate in all transfers necessary to effectuate such matters.

5.4. ALTERATIONS.

(a) Tenant may, at its expense, make additions to and alterations of the Improvements to the Premises, and make substitutions and replacements therefore, provided that: (i) Landlord approves any addition to or structural alteration to the Premises, after having received from Tenant complete plans and specification for the proposed work, which such consent shall not be unreasonably withheld, (ii) the market value of the Premises shall not thereby be lessened; (iii) such addition or alteration is architecturally consistent with existing Improvements; (iv) such actions shall be performed in a good and workmanlike manner; (v) such work shall not violate any term of any restriction to which the Premises are subject or the requirements of any insurance policy required to be maintained by Tenant hereunder, and shall be expeditiously completed in compliance with all Applicable Laws; and (vi) no Improvements shall be demolished unless Tenant shall have first furnished Landlord with such surety bonds or other security acceptable to Landlord as shall be necessary to assure rebuilding of such Improvements. Notwithstanding the foregoing, Landlord's approval shall not be required for any nonstructural alterations costing less than One Hundred Thousand Dollars ($100,000.00). Tenant shall promptly pay all costs and expenses of each such addition, alteration, additional Improvement, substitution or replacement, discharge all liens arising therefrom and procure and pay for all permits and licenses required in connection therewith. All such additions, alterations, additional Improvements substitutions and replacements shall be and remain part of the realty and the property of Landlord and shall be subject to this Lease. Tenant may place upon the Premises any inventory, trade fixtures, machinery or equipment belonging to Tenant or third parties and may remove the same at any time during the Terms. Tenant shall repair any damage to the Premises caused by such removal.

5.5. NO LIENS. Tenant will not, directly or indirectly, create or permit to remain, and shall within thirty (30) days of filing of any, mechanics, contractors or other liens, discharge or bond, at its expense, any liens with respect to, the Premises or any part thereof or Tenant's interest therein or the Basic Rent, Additional Rent or other sums payable by Tenant under this Lease, other than any encumbrances permitted by a Permitted Encumbrance described in Section 11.12. Nothing contained in this Lease shall be construed

as constituting the consent or request, expressed or implied, by Landlord to the performance of any labor or services or of the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to the Premises or any part thereof by any contractor, subcontractor, laborer, materialman or vendor. Notice is hereby given that Landlord will not be liable for any labor, services or materials furnished or to be furnished to Tenant, or to anyone holding the Premises or any part thereof, and that no mechanic's or other liens for any such labor services or materials shall attach to or affect the interest of Landlord in and to the Premises.

5.6 SHELL SPACE Improvements. Tenant has prepared an estimate of the cost involved in improving the shell condition space within the Premises, a copy of which is attached and incorporated as Exhibit "F" hereto. Tenant shall complete the shell space improvement work according to the plans and estimates approved by Landlord not later than September 1, 2009.

VI. INSURANCE; INDEMNIFICATION.

6.1. INSURANCE. Tenant shall maintain, or cause to be maintained, at its sole expense, the following insurance on the Premises (herein called the "Required Insurance"):

(a) Insurance against loss or damage to the Improvements (the "Improvements Insurance") under a fire and broad form of all risk extended coverage insurance policy (which shall include flood insurance if the Premises is located within a flood hazard area, and earthquake insurance if required by Lender and the Premises is located within an earthquake zone) together with an agreed value endorsement. Such insurance shall be in amounts equal to the full insurable value of the Improvements and not be less than the full replacement cost of the Improvements as determined from time to time by Landlord but not more frequently than once in any 12-month period. Such insurance policies shall contain a replacement cost endorsement and a waiver of depreciation, and may contain reasonable exclusions and deductible amounts as may be approved by Landlord.

(b) Comprehensive general public liability insurance, including contractual injury, bodily injury, broad form death and property damage liability, and umbrella liability insurance against any and all claims, including legal liability to the extent insurable, and all court costs and attorneys' fees and expenses, for the benefit of Landlord, Tenant and Lender against claims for damages to person or property arising out of or connected with the possession, use, leasing, operation, maintenance or condition of the Premises, occurring on, in or about the Premises and the adjoining streets, sidewalks, gutters, curbs, passageways and other areas adjacent thereto, if any, of at least Two Million Dollars ($2,000,000) single limit with respect to bodily injury or death to any one person, at least Five Million Dollars ($5,000,000) with respect to any one incident, and at least Two Million Dollars ($2,000,000) with respect to property damage or such greater amounts as may reasonably be required by Landlord, consistent with coverage on properties similarly constructed, occupied and maintained, such insurance to include full coverage of the indemnity set forth in Section 6.10. Policies for such insurance shall be for the mutual benefit of Landlord, Tenant and Lender, as their respective interests may appear, and shall name Lender as an additional insured.

(c) Workers' compensation insurance to the extent necessary to protect Landlord and the Premises against workers' compensation claims, covering all persons employed in connection with any work done on or about the Premises with respect to which claims for death or bodily injury could be asserted against Landlord, Tenant or the Premises. Such policy of workers' compensation insurance shall comply with all of the requirements of applicable state law. Without limiting the foregoing, Tenant may, at its option, maintain a program of workers' compensation self-insurance which complies in all respects to the rules and regulations of the State of California.

(d) At any time when any portion of the Premises is being constructed, altered or replaced, builder's "all-risk" insurance (in completed value non-reporting form) insuring the Premises in an amount no less than the actual replacement value of the Improvements, exclusive of foundations and excavations.

(e) Such other insurance on the Premises, including, but not limited to, insurance against loss or damage from (i) leakage of sprinkler systems, and (ii) explosion of steam boilers, air conditioning equipment, pressure vessels or similar apparatus now or hereinafter installed in the Premises, in such amounts and against such other hazards which may be required by Landlord or Lender, including twelve (12) months of rental interruption insurance, and insurance to cover the cost of complying with any governmental statutes, laws, rules, orders, regulations and ordinances enacted after the execution of this Lease.

(f) All insurance policies shall be in such form and with such endorsements and in such amounts as shall be satisfactory to Landlord (and Landlord shall be entitled to approve amounts, form, risk coverage, deductibles, loss payees and insureds). The policy referred to in Section 6.1(a) shall contain a replacement cost endorsement and a waiver of depreciation. All of the above referenced policies shall name Lender as an additional insured/loss payee, shall provide that all insurance proceeds be payable to Lender, and shall contain: (i) "Non Contributory Standard Beneficiary Clause" and a Lender's Loss Payable Endorsement (Form 438 BFUNS) or their equivalents naming Lender as the person to which all payments shall be paid and a provision that payment of insurance proceeds in excess of One Hundred Thousand Dollars ($100,000.00) shall be made by a check payable only to Lender; (ii) a waiver of subrogation endorsement as to Lender and its assigns providing that no policy shall be impaired or invalidated by virtue of any act, failure to act, negligence of, or violation of declarations, warranties or conditions contained in such policy by Lender, Landlord or any other named insured, additional insured or loss payee, except for the willful misconduct of Lender knowingly in violation of the conditions of such policy; (iii) an endorsement indicating that neither Lender nor the Landlord shall be or be deemed to be a co-insurer with respect to any risk insured by such policies and shall provide for an aggregate deductible per loss for all policies of an amount not more than that which is customarily maintained by prudent owners of property of the same type and quality as the Premises, but in no event in excess of five percent (5%) of the replacement cost of the Improvements (or, in the case of earthquake insurance, the smallest deductible which is commercially available, which deductible as of the date here is deemed to be ten percent (10%); (iv) a provision that such policies shall not be canceled or amended, including, without limitation, any amendment reducing the scope or limits of coverage, without at least thirty (30) days' prior written notice to Lender in each instance; and (v) effective waivers by the insurer of all claims for insurance premiums against any loss payees, additional insureds and named insureds (other than the Tenant). Certificates of insurance with respect to all renewal and replacement policies shall be delivered to the Landlord not less than thirty (30) days prior to the expiration date of any of the insurance policies required to be maintained hereunder which certificates shall bear notations evidencing payment of applicable premiums. If Tenant fails to maintain and deliver to the Landlord the certificates of insurance required by this Lease, Landlord may, at its option, after written notice to Tenant, procure such insurance, and the Tenant shall reimburse Landlord for the amount of all premiums paid by Landlord thereon promptly, after demand by Landlord, with interest thereon at the Default Rate from the date paid by Landlord to the date of repayment.

6.2. PERMITTED INSURERS. The insurance required hereunder shall be written by companies of recognized financial standing authorized to do insurance business in the state in which the Premises are located and have a general policy rating of A or better and a financial class of IX or better by A.M. Best Co. and a Standard and Poor's claims paying ability rating of AA or better, and shall name as the insured parties thereunder Landlord and Tenant, as their interests may appear, and Lender as an additional insured under a standard "mortgagee" endorsement or its equivalent satisfactory to Landlord. Landlord shall not be required to prosecute any claim against, or to contest any settlement proposed by, an insurer. Tenant may, at its expense, prosecute any such claim or contest any such settlement in the name of Landlord, Tenant or both with the consent of Landlord, and Landlord will join therein at Tenant's written request upon the receipt by Landlord of an indemnity from Tenant against all costs, liabilities and expenses in connection therewith.

6.3. INSURANCE CLAIMS. Insurance claims by reason of damage to or destruction of any portion of the Premises shall be adjusted by Tenant, both Landlord and Lender shall have the right to join with Tenant in adjusting any such loss.

6.4. INSURED PARTIES. Every policy referred to herein shall bear a first mortgage endorsement in favor of Lender; and any loss under any such policy shall be made payable to Lender, provided that any recovery under any such policy shall be applied by Lender in the manner provided in Section 6.3. Every policy of required insurance shall contain an agreement that the insurer will not cancel such policy except after thirty (30) days' prior written notice to Landlord and Lender and that any loss otherwise payable thereunder shall be payable notwithstanding any act or negligence of Landlord, Tenant or Lender which might, absent such agreement, result in a forfeiture of all or a part of such insurance payment and notwithstanding (i) any foreclosure or other action taken by a creditor pursuant to any provision of any Permitted Encumbrance upon the happening of a default or Event of Default thereunder or (ii) any change in ownership of the Premises.

6.5. DELIVERY OF POLICIES. Tenant shall deliver to Landlord promptly after the delivery of this Lease, the original or certified duplicate policies or Acord-27 and Acord-25 form certificates of insurers, satisfactory to Lender, evidencing all of the Required Insurance. Tenant shall, at least fifteen (15) days prior to the expiration of any such policy, deliver to Landlord other original or duplicate of such policy or certificates evidencing the renewal of any such policy. If Tenant fails to maintain or renew any required insurance, or to pay the premium therefor, or to deliver such certificate, then Landlord, at its option, but without obligation to do so, may, after giving Tenant notice thereof, procure such insurance. Any sums so expended by Landlord shall be Additional Rent hereunder and shall be repaid by Tenant within five (5) days after notice to Tenant of such expenditure and the amount thereof.

6.6. NO DOUBLE COVERAGE. Neither Tenant nor Landlord shall obtain or carry separate insurance covering the same risks as any Required Insurance unless Tenant, Landlord and Lender are included therein as named insured, with loss payable as provided in this Lease and the policy contains a first mortgagee endorsement in favor of the Lender. Tenant and Landlord shall immediately notify each other whenever any such separate insurance is obtained and shall deliver to each other the policies or certificates evidencing the same.

6.7. BLANKET INSURANCE. Anything contained in this Article VI to the contrary notwithstanding, all Required Insurance may be carried under a "blanket" or "umbrella" policy or policies covering other property or liabilities of Tenant, provided that such policies otherwise comply with the provisions of this Lease and specify the coverage and amounts thereof with respect to the Premises.

6.8. DAMAGES FOR TENANT'S FAILURE TO PROPERLY INSURE. Landlord or Lender shall not be limited in the proof of any damages which Landlord or Lender may claim against Tenant arising out of or by reason of Tenant's failure to provide and keep in force insurance, as provided above, to the amount of the insurance premium or premiums not paid or incurred by Tenant and which would have been payable under such insurance; but Landlord and Lender shall also be entitled to recover as damages for such breach, the uninsured amount of any loss, to the extent of any deficiency in the Required Insurance and damages, costs and expenses of suit suffered or incurred by reason of or damage to, or destruction of, the Premises, occurring during any period when Tenant shall have failed to provide the Required Insurance. Tenant shall indemnify and hold harmless Landlord and Lender for any liability incurred by Landlord or Lender arising out of any deductibles for Required Insurance.

6.9. CASUALTY. If all or any part of the Premises shall be damaged or destroyed by casualty, Tenant shall promptly notify Landlord and Lender thereof within five (5) Business Days, and shall, with reasonable promptness and diligence, rebuild, replace and repair any damage or destruction to the Premises, at its expense, in conformity with the requirements of Section 5.4(a) hereof, in such manner as to restore the same to the same or better condition as existed prior to such casualty, using materials of the same or better grade than that of the materials being replaced, and there shall be no abatement of Basic Rent or Additional Rent. Proceeds of casualty insurance of $100,000.00 or less shall be paid to Tenant. Proceeds in excess of $100,000.00 shall be held by Landlord or a proceeds trustee (which shall be Lender or Lender's designee for so long as the Note is outstanding, or an escrow or title company, or a bank or trust company designated by Landlord thereafter) and paid to Tenant, but only against certificates of Tenant and appropriate lien waivers delivered to Landlord from time to time, but not more frequently than once per calendar month, as such work or repair progresses. Each such certificate shall describe the work or repair for which Tenant is requesting payment and the cost incurred by Tenant in connection therewith and stating that Tenant has not theretofore received payment for such work and has sufficient funds remaining to complete the work free of liens or claims. Any proceeds remaining after Tenant has repaired the Premises shall be delivered to Landlord; provided, however, that if such aggregate amounts exceed One Hundred Thousand Dollars ($100,000), the excess shall, at Lender's direction and with Lender's written consent at its sole discretion, be applied in reduction of the principal amount of the Note or paid to Tenant; provided further, however, that no payment shall be made to Tenant if any material or monetary default or Event of Default shall have happened and be continuing under this Lease. If the excess is applied to the remaining principal outstanding under the Note, the Note shall be reamortized and monthly payment of Basic Rent payable on or after the second Basic Rent Payment Date occurring after such application shall be reduced in an amount equal to the amount by which the monthly payment under the Note has been reduced. The foregoing references to "Note" shall mean the Note and any future promissory note that may be issued in connection with a refinancing of the Mortgage

6.10. INDEMNIFICATION.

(a) Tenant agrees to pay, and to protect, defend, indemnify and save harmless Landlord, Lender and their agents from and against any and all liabilities, losses, damages, costs, expenses (including all reasonable attorneys' fees and expenses of Landlord and Lender), causes of action, suits, claims, demands or judgments of any nature whatsoever that may be suffered or imposed on or asserted against any of them (i) arising from any injury to, or the death of, any person or damage to property (including property of employees and invitees of Tenant) on the Premises or upon adjoining sidewalks, streets or ways or elsewhere, in any manner growing out of or connected with the use, non-use, condition or occupation of the Premises or any part thereof, so long as not occasioned by the gross negligence or willful misconduct of Landlord, Lender, their agents, servants, employees or assigns, and/or (ii) arising from violation by Tenant of any agreement or condition of this Lease, or any contract

or agreement to which Tenant is a party or any restriction, law, ordinance or regulation, including without limitation, the Americans With Disabilities Act of 1990 and all regulations issued thereunder, in each case affecting the Premises or any part thereof or the ownership, occupancy or use thereof, so long as not occasioned by the negligence or willful misconduct of Landlord, Lender, their agents, servants, employees or assigns; (iii) arising out of any permitted contest referred to in Section 4.3 (collectively, "Indemnified Matters"). If Landlord, Lender or any agent of Landlord or Lender shall be made a party to any such litigation commenced against Tenant, and if Tenant, at its expense, shall fail to provide Landlord, Lender or their agents with counsel (upon Landlord's request) reasonably approved by Landlord, Tenant shall pay all costs and attorneys' fees and expenses incurred or paid by Landlord, Lender or their agents in connection with such litigation. Tenant's obligations and liabilities under this Section 6.10 shall survive the expiration of this Lease. Tenant waives all claims against Landlord arising form any liability described in this Section 6.10 (a), except to the extent caused by the negligence or willful misconduct of Landlord, Lender, their agents, servants, employees or assigns. The waiver and indemnity provisions in this paragraph are intended to exculpate and indemnify each of Landlord and Lender (i) from and against the consequences of its own negligence or fault when Landlord or Lender are solely negligent or contributorily, partially, jointly, comparatively or concurrently negligent with Tenant or any other person (but is not solely or grossly negligent, has not committed an intentional act or made an intentional omission) and (ii) from and against any liability of Landlord or Lender based on any applicable doctrine of strict liability.

(b) Should any claim be made against Landlord by a person not a party to this Lease with respect to any Indemnified Matter, Landlord shall promptly give Tenant written notice of any such claim, and Tenant shall thereafter defend or settle any such claim, at its sole expense, on its own behalf and with counsel of its selection; provided, however, that Tenant's counsel shall be competent counsel experienced in the type of litigation or claim at issue and shall be acceptable to Landlord, acting reasonably. Upon Tenant's assumption of the defense of any claim against Landlord pursuant to Tenant's indemnity, Landlord shall have the right to participate in the defense or settlement of the claim with counsel retained and paid by it, and Tenant shall cause the attorneys retained by it to consult and cooperate fully with counsel for Landlord. In such defense or settlement of any claims, Landlord shall provide Tenant with originals or copies of all relevant documents and shall cooperate with and assist Tenant, at no expense to Landlord. Notwithstanding any provision of this Section 6.10 to the contrary, Tenant shall not enter into any settlement or agreement in connection with any Indemnified Matters binding upon or adversely affecting either Landlord or Lender, or admit any liability or fact in controversy binding upon or adversely affecting either Landlord or Lender, without the prior written consent of Landlord or Lender, as the case may be, in such party's sole discretion.

VII. CONDEMNATION.

7.1. ASSIGNMENT OF AWARD. Subject to the rights of Tenant set forth in this Article VII, Tenant hereby irrevocably assigns to Landlord any award or payment to which Tenant may be or become entitled with respect to Complete, Partial or Temporary Taking (all as hereinafter defined) of the Premises or any part thereof, by condemnation or other eminent domain proceedings pursuant to any law, general or special, by any governmental authority, whether the same shall be paid or payable in respect of Tenant's leasehold interest hereunder or otherwise. Landlord and Tenant agree that as long as the Note is outstanding, Lender shall hold all proceeds until disbursed pursuant to the terms hereof. Landlord and Lender shall be entitled to participate in any such proceeding and the expenses thereof (including counsel fees and expenses) shall be paid by Tenant.

7.2. DEFINITIONS FOR ARTICLE VII.

(a) "Complete Taking" shall mean the occurrence of any actual or threatened condemnation or other eminent domain proceeding pursuant to any general or special law, or any agreement with an authority having the power of eminent domain, which results in the taking or conveyance of (i) the entire Premises or (ii) such a significant portion of the Premises that, in the good faith judgment of Tenant, it is uneconomic to rebuild or restore the remaining portion of the Premises for the continued operation of the Premises.

(b) "Partial Taking" shall mean the occurrence of any taking of a portion of the Premises by condemnation or other eminent domain proceedings, or any agreement with an authority having the power of eminent domain, which does not result in a Complete Taking.

(c) "Temporary Taking" shall mean the occurrence of a temporary taking of the use or occupancy of the Premises or any part thereof by any governmental authority.

(d) "Net Award" shall mean all amounts payable as a result of any condemnation or other eminent domain proceeding and all amounts payable pursuant to any agreement with any condemning authority (which agreement shall be deemed to be a taking) which has been made in settlement of or under threat of any condemnation or other eminent domain proceeding affecting the Premises, less all expenses incurred as a result thereof not otherwise paid by Tenant and the collection of such amounts.

(e) "Purchase Offer" shall mean a purchase offer as described in this Article VII with a Purchase Price hereafter defined.

7.3. COMPLETE TAKING. Upon the occurrence of a Complete Taking, Tenant shall deliver a Purchase Offer to Landlord, with a copy to Lender, specifying a Termination Date occurring not less than thirty (30) nor more than one hundred eighty (180) days after the delivery of such Purchase Offer and this Lease shall continue in full force and effect without any abatement of rent, notwithstanding any taking, until the Termination Date as defined herein. The Purchase Offer shall contain a purchase price ("Purchase Price") which is the greater of the Net Award or the lesser of (a) Landlord's acquisition cost of the Premises, or (b) the amount of the first mortgage against the Premises, including any prepayment penalties, plus Landlord's unamortized equity in the Premises based on a twenty year term at 7%, plus the reasonable out-of-pocket expenses of Landlord and Lender relating to the purchase, and shall be accompanied by a Tenant's Certificate stating that a "Complete Taking" has occurred within the meaning of clause (a) of Section 7.2. Notwithstanding anything contained herein to the contrary, in no event shall the Purchase Price be less than the full amount due Lender under the Loan Documents. If Tenant shall fail to deliver a Purchase Offer as required above, Tenant shall be conclusively presumed to have made a Purchase Offer on a date which is one hundred twenty (120) days after any such taking (or such later date as is agreed to in writing by Landlord), and in the event Tenant is so presumed to have made a Purchase Offer, the Termination Date shall be deemed to be one hundred fifty (150) days after such Purchase Offer is presumed to have been made; but nothing in this sentence shall relieve Tenant of its obligation actually to deliver such Purchase Offer. No Basic Rent or Additional Rent shall abate through the Termination Date.

7.4. PARTIAL TAKING. Upon the occurrence of any Partial Taking, this Lease shall continue in full effect without abatement or reduction of Basic Rent, Additional Rent or other sums payable by Tenant. In the event Landlord receives a Net Award in connection with any such Partial Taking, Landlord shall make the Net Award available to Tenant to make any repairs required by Section 5.4 hereof so that, thereafter, the Premises shall be, as

nearly as possible, in a condition as good as the condition thereof immediately prior to such Partial Taking, but, if such Net Award shall be in excess of One Hundred Thousand Dollars ($100,000), only if there is no default or Event of Default and Tenant delivers to Landlord of (i) certificates of Tenant identifying the repair work for which Tenant is requesting payment and the cost incurred by Tenant in connection therewith and stating that Tenant has not theretofore received payment for such work; and (ii) appropriate lien waivers. Any Net Award remaining after such repairs have been made shall be delivered to Tenant; but only to the extent that the aggregate amount of such Net Award so remaining and all amounts theretofore paid to Tenant pursuant to this sentence do not exceed One Hundred Thousand Dollars ($100,000). If such amounts exceed One Hundred Thousand Dollars ($100,000), the excess may, at Lender's direction and with Lender's written consent at its sole option, be applied in reduction of the outstanding principal amount of the Note, in accordance with the terms of the Loan Documents. If the excess is applied to the remaining principal outstanding under the Note, the Note shall be reamortized and monthly payment of Basic Rent payable on or after the second Basic Rent Payment Date occurring after such application shall be reduced in an amount equal to the amount by which the monthly payment under the Note has been reduced.

7.5. TEMPORARY TAKING. Upon the occurrence of any Temporary Taking, Tenant shall, promptly after any such Temporary Taking ceases, at its expense, repair any damage caused thereby in conformity with the requirements of Section 5.4 hereof so that, thereafter, the Premises shall be, as nearly as possible, in a condition as good as the condition thereof immediately prior to such Temporary Taking. In the event of such Temporary Taking, Tenant shall be entitled to receive the entire Net Award payable by reason of such Temporary Taking, less any costs incurred by the Landlord in connection therewith. If the cost of any repairs required to be made by Tenant pursuant to this Section 7.5 shall exceed the amount of the Net Award, the deficiency shall be paid by Tenant. No payments shall be made to Tenant pursuant to this Section 7.5, if any default or Event of Default shall have happened and shall be continuing under this Lease. Basic Rent shall abate through the duration of such Temporary Taking.

7.6. PROCEDURE AFTER PURCHASE OFFER; PROCEDURE ON EVENT OF PURCHASE.

(a) If Landlord shall have accepted the Purchase Offer in writing, Landlord shall convey the Premises to Tenant for the Purchase Price contained therein, giving due credit, if any, against such Purchase Price to Tenant for any Net Award received and retained by Landlord.

(b) If the Premises or any part thereof shall be purchased by Tenant under Article VII of this Lease, Landlord need not transfer and convey to Tenant or its designee any better title thereto than existed on the date of the commencement of this Lease, and Tenant shall accept such title, subject, however, to such liens, encumbrances, charges, exceptions and restrictions, against or relating to the Premises, (i) including those arising pursuant to the terms of this Lease and (ii) subject to all applicable laws, regulations and ordinances, but free of the Mortgage and all other mortgages, liens, encumbrances, charges, exceptions and restrictions which shall have been created by or resulted from acts or failures to act of Landlord.

(c) On the date fixed for any such purchase, which shall be the next Payment Date as defined in the Loan Commitment, Tenant shall pay to Landlord, at any place within the United States of America designated by Landlord before 2:00 P.M. Pacific Time, the Purchase Price therefor, in immediately available funds, together with all installments of Basic Rent and all other sums then due under this Lease and unpaid to and including the purchase date without offset or deduction for any reason, and Landlord shall deliver to Tenant: (i) a special grant deed conveying title to the Premises and describing the Premises or portion thereof being sold and conveying the title thereto; (ii) such instruments as shall be necessary to transfer to Tenant or its designee any other property then required to be transferred by Landlord

pursuant to this Lease; and (iii) an assignment of condemnation awards due in connection with the Property, but not yet paid to the Landlord or Lender. Tenant shall pay all charges incident to such conveyance and transfer, including Landlord and Lender's reasonable counsel fees, escrow fees, recording fees, title insurance premiums and all applicable federal, state and local taxes (other than any income, sales, rental receipts, or franchise taxes levied upon or assessed against Landlord) which may be incurred or imposed by reason of such conveyance and transfer.

(d) Upon the completion of such purchase, but not prior thereto, this Lease and all obligations hereunder (including the obligations to pay Basic Rent and Additional Rent) shall terminate, except with respect to any obligations and liabilities of Tenant, actual or contingent, under this Lease which arose on or prior to such date of purchase, and with respect to such obligations and liabilities they shall survive the Termination of the Lease.

(e) If Landlord (with the written consent of Lender) shall have tendered a written rejection of the Purchase Offer not later than the tenth (10th) day prior to the Termination Date specified in such Purchase Offer, this Lease shall terminate on such Termination Date (except with respect to obligations and liabilities of Tenant under this Lease, actual or contingent, which have arisen on or prior to such Termination Date), upon payment by Tenant of all of the Basic Rent, Additional Rent and all other sums due and payable hereunder to and including the Termination Date without offset or deduction for any reason. If Landlord shall fail to accept or reject the Purchase Offer within the times allotted, Landlord shall be conclusively presumed to have accepted the Purchase Offer.

7.7. COMPENSATION FOR PERSONAL PROPERTY AND RELOCATION EXPENSES. Tenant shall have the right to claim and recover from the condemning authority any such compensation as may be awarded to Tenant for the value of furniture, equipment owned by Tenant, removal of merchandise, moving and relocation expenses, goodwill, or damage to Tenant's research and development operations conducted at the Premises.

VIII. ASSIGNMENT AND SUBLETTING.

8.1. POWER TO ASSIGN AND SUBLET. Provided that no Event of Default shall be continuing and Landlord shall have first given its consent thereto, which such consent shall not be unreasonably withheld or delayed, Tenant may assign all its rights and interests under this Lease or sublet all or any part of the Premises (provided that each such assignment or sublease is expressly made subject to all of the provisions, including the use provisions of Section 1.3 of this Lease) and may assign all its rights and interests under this Lease. Tenant shall, within ten (10) days after the execution and delivery of any such assignment or the sublease of all or substantially all of the Premises, deliver a conformed copy thereof to Landlord. Within ten (10) days after the execution and delivery of any sublease of a portion of the Premises, Tenant shall give notice to Landlord of the existence and term thereof, and of the same name and address of the sublessee thereunder. Such sublease shall not relieve Tenant of any responsibilities or obligations of the Lease. Tenant shall comply with all the terms and provisions of any sublease.

8.2. ASSUMPTION BY ASSIGNEE OR TRANSFEREE; TENANT REMAINS LIABLE. If Tenant assigns all its rights and interests under this Lease, or sells or otherwise transfers all of substantially all of its assets as set forth in Section 11.7, the transferee or the assignee under such assignment shall expressly assume all the obligations of Tenant hereunder in an instrument delivered to Landlord at the time of such assignment. No assignment or sublease made as permitted by this Article VIII or merger, consolidation, sale or transfer of assets made as set forth in Section 11.7 shall affect or reduce any of the obligations of Tenant hereunder, and all such obligations shall continue

in full force and effect as obligations of a principal and not as obligations of a guarantor or surety, to the same extent as though no assignment, subletting, merger, consolidation, sale or transfer of assets had been made, provided that performance by any such assignee, sublessee, surviving Person or transferee of any of the obligations of Tenant under this Lease shall be deemed to be performance by Tenant. No sublease or assignment made as permitted by this Article VIII or merger, consolidation, or sale or transfer of assets made as permitted by Section 11.7 shall impose any obligations on Landlord or otherwise affect any of the rights of Landlord under this Lease. At Landlord's option, the assignee, sublessee, surviving Person or transferee, as applicable, shall have direct responsibility to Landlord and shall have the same obligations of Tenant as required under this Lease.

8.3. OTHER TRANSFERS VOID. Except as hereafter provided, neither this Lease nor the Term hereby demised shall be mortgaged by Tenant, nor shall Tenant mortgage or pledge the interest of Tenant in and to any sublease of the Premises or the rentals payable thereunder. Any mortgage, pledge, sublease or assignment made in violation of this Article VIII shall be void. Notwithstanding the foregoing, Tenant may, without Landlord's consent, mortgage, pledge or convey a security interest in Tenant's leasehold interest in the Premises ("Leasehold Mortgage") for financing purposes. As used in this Section 8.3, the term "Leasehold Mortgage" shall mean a deed of trust, mortgage or other instrument encumbering Tenant's leasehold. A Leasehold Mortgage shall be subject to all of the terms and conditions stated in this Lease and to all rights and interests of Landlord. No Leasehold Mortgage shall extend to or otherwise affect the interest or estate of Landlord in and to the Premises. Prior to the time of the recordation of a Leasehold Mortgage, Tenant shall deliver a copy thereof to Landlord, together with a written notice containing the name and address of Tenant's lender.

IX. FINANCIAL INFORMATION.

9.1. FINANCIAL STATEMENTS. Tenant will furnish to Landlord and Lender (i) Tenant's annual audited financial statements within ninety (90) days after the end of Tenant's fiscal year, and (ii) Tenant's unaudited quarterly financial statements within the time frame required for filing quarterly statements with the Securities and Exchange Commission, but in no event later than forty five (45) days following the end of the first three quarters of the fiscal year. Audited financial statements shall be accompanied by an opinion from a "Big Five" accounting firm or other certified public accounting firm reasonably acceptable to Lender and Landlord and prepared according to generally accepted accounting principles.

X. DEFAULT.

10.1. EVENTS OF DEFAULT. Any of the following occurrences or acts shall constitute an event of default (herein called an "Event of Default") under this Lease:

(a) If Tenant, at any time during the continuance of this Lease (and regardless of the pendency of any bankruptcy, reorganization, receivership, insolvency or other proceedings at law, in equity, or before any administrative tribunal, which have or might have the effect of preventing Tenant from complying with the terms of this Lease), shall (i) fail to make any payment of Basic Rent or Additional Rent within five (5) days of when due, or (ii) fail to make any payment of any other sum herein required to be paid by Tenant hereunder or (iii) fail to provide and keep in force the insurance required by Section 6 hereunder, or (iv) fail to observe or perform any other provision hereof (with the exception of any payment or insurance provisions which failure shall constitute an Event of Default under (a)(i), (ii) and (iii) hereof) for thirty (30) days after written notice (provided, that in the case of any default referred to in this Lease which cannot with diligence be cured within such thirty (30) day period, if Tenant shall proceed promptly to cure the same and thereafter shall prosecute the curing of such default with diligence, then upon receipt by Landlord of a Tenant's Certificate stating the reason such default cannot be cured within thirty (30) days and stating that Tenant is proceeding with due diligence to cure such default, the time within which such failure may be cured shall be extended for such period as may be necessary to complete the curing of the same with diligence but in no event longer than one hundred twenty (120) days); or

(b) If any representation or warranty of Tenant set forth in any notice, certificate, demand, request or other instrument delivered pursuant to, or in connection with this Lease or the Assignment, shall either prove to be false or misleading in any material respect as of the time when the same shall have been made; or

(c) If Tenant shall file a petition commencing a voluntary case under the Federal Bankruptcy Code or any federal or state law (as now or hereafter in effect) relating bankruptcy, insolvency, reorganization, winding-up or adjustment of debts (hereinafter collectively called "Bankruptcy Law") or if Tenant shall: (i) apply for or consent to the appointment of, or the taking of possession by, any receiver, custodian, trustee, United States Trustee or liquidator (or other similar official) of the Premises or any part thereof or of any substantial portion of Tenant's property; or (ii) generally not pay its debts as they become due, or admit in writing its inability to pay its debts generally as they become due; or (iii) make a general assignment for the benefit of its creditors; or (iv) file a petition commencing a voluntary case under or seeking to take advantage of any Bankruptcy Law; or (v) fail to controvert in timely and appropriate manner, or in writing acquiesce to, any petition commencing an involuntary case against Tenant or otherwise filed against Tenant pursuant to any Bankruptcy Law; or (vi) take any action in furtherance of any of the foregoing; or

(d) If an order for relief against Tenant shall be entered in any involuntary case under the Federal Bankruptcy Code or any similar order against Tenant shall be entered pursuant to any other Bankruptcy Law, or if a petition commencing an involuntary case against Tenant or proposing the reorganization of Tenant under any Bankruptcy Law shall be filed and not be discharged or denied within sixty (60) days after such filing, or if a proceeding or case shall be commenced in any court of competent jurisdiction seeking: (i) the liquidation, reorganization, dissolution, winding-up or adjustment of debts of Tenant; or (ii) the appointment of a receiver, custodian, trustee, United States Trustee or liquidator (or any similar official) of the Premises or any part thereof or of Tenant or of any substantial portion of Tenant's property; or (iii) any similar relief as to Tenant pursuant to any Bankruptcy Law, and any such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for sixty (60) days; or

(e) If the Premises shall be left both unattended and without maintenance as provided herein, for a period of thirty (30) days or more.

10.2. LANDLORD'S REMEDIES.

(a) If an Event of Default shall have happened and be continuing, Landlord shall have the right at its election to give Tenant twenty (20) days written notice of Landlord's intention to terminate the term of this Lease on a date specified in such notice. Thereupon, the term of this Lease and the estate hereby granted shall terminate on such date as completely and with the same effect as if such date were the date fixed herein for the expiration of the term of this Lease, and all rights of Tenant hereunder shall terminate, but Tenant shall remain liable as provided herein.

(b) If an Event of Default shall have happened and be continuing Landlord shall have the immediate right, whether or not the term of this Lease shall have been terminated pursuant to Section 10.2(a), to (i) re-enter and repossess the Premises or any part thereof by any means permissible under California law, (ii) remove all persons and property therefrom, Tenant hereby expressly waiving any and all notices to quit, cure or vacate provided by current or any future law; and (iii) collect from Tenant all sums due hereunder, plus interest at the Default Rate. Landlord shall be under no liability by reason of any such re-entry, repossession or removal. No such re-entry or taking of possession of the Premises by Landlord shall be construed as an election on Landlord's part to terminate the term of this Lease unless a written notice of such intention to be given to Tenant pursuant to Section 10.2(a).

(c) At any time or from time to time after the repossession of the Premises or any part thereof pursuant to Section 10.2(b), whether or not the term of this Lease shall have been terminated pursuant to Section 10.2(a), Landlord may relet the Premises or any part thereof for the account of Tenant, in the name of Tenant or Landlord or otherwise, without notice to Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this Lease) and on such conditions (which may include concessions or free rent) and for such uses Landlord, in its absolute discretion, may determine, and Landlord may collect and receive any rents payable by reason of such reletting.

(d) No termination of the term of this Lease pursuant to Section 10.2(a), by operation of law or otherwise, and no repossession of the Premises or any part thereof pursuant to Section 10.2(b) or otherwise, and no reletting of the Premises or any part thereof pursuant to Section 10.2(c), shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, repossession or reletting.

(e) At any time after such termination or repossession by reason of the occurrence of any Event of Default, whether or not Landlord shall have collected any current damages pursuant to this Section 10.2(e), Landlord shall be entitled to recover from Tenant, and Tenant will pay to Landlord on demand, as and for liquidated and agreed final damages for Tenant's default and in lieu of all current damages beyond the date of such demand (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), an amount equal to the present value of all rent payable under the Lease beyond the date of such demand over the then present value of the then fair market rental for the Premises, at the date of such demand for what would be the unexpired term of the Lease, which present value shall in each case be determined by the application of a discount factor of five percent (5%) per annum; however, this amount shall not be less than any "make whole provision" in favor of the Lender, including without limitation, any yield maintenance premium, default interest and late charges specified in the Loan Documents in connection with the indebtedness encumbered by the Premises. If any law, including without limitation, California Civil Code Section 1951.2 or its successor, shall be construed to limit the amount of such liquidated final damages to less than the amount above agreed upon, Landlord shall be entitled to the maximum amount allowable under such statute or rule of law. Landlord retains all remedies described in California Civil Code Section 1951.4.

(f) Notwithstanding anything to the contrary stated herein, if an Event of Default shall have happened and be continuing, whether or not Tenant shall have abandoned the Premises, Landlord may elect to continue this Lease in effect for so long as the Landlord does not terminate Tenant's right to possession of the Premises and Landlord may enforce all of its rights and remedies hereunder including, without limitation, the right to recover all Basic Rent, Additional Rent and other sums payable hereunder as the same become due

10.3. ADDITIONAL RIGHTS OF LANDLORD. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity or by statute. The failure of Landlord to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Lease shall not be construed as waiver or a relinquishment thereof for the future. A receipt by Landlord of any Basic Rent, any Additional Rent or any other sum payable hereunder with knowledge of the breach of any covenant or agreement contained in this Lease shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. In addition to other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements, conditions or provisions of this Lease, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity.

10.4. WAIVERS BY TENANT. Tenant hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any right or privilege which it or any of them may have under any present or future construction, statute or rule of law to redeem the Premises or to have a continuance of this Lease for the term hereby demised after termination of Tenant's right of occupancy by order or judgment of any court or by any legal process or writ, or under the terms of this Lease or after the termination of the term of this Lease as herein provided, and (ii) the benefits of any present or future constitution, statute or rule of law which exempts property from liability for debt or for distress for rent.

10.5. ATTORNEYS' FEES. In the event an action shall be brought for the enforcement of any right set forth herein in connection with, and subject to, the indemnification provisions contained in Section 6.10 hereof, the non-prevailing party shall be liable for all of the reasonable expenses incurred in connection therewith, including without limitation, reasonable attorneys' fees.

XI. MISCELLANEOUS.

11.1. NOTICES, DEMANDS AND OTHER INSTRUMENTS. All notices, demands, requests, consents, approvals and other instruments required or permitted to be given pursuant to the terms of this Lease shall be in writing and shall be deemed to have been properly given if (a) with respect to Tenant, sent by registered or certified mail with a return receipt requested, postage prepaid, or sent by facsimile, nationally recognized overnight express carrier or delivered by hand, in each case addressed to Tenant at its notice address first above set forth, and (b) with respect to Landlord, sent by registered or certified mail with a return receipt request, postage prepaid, or sent by facsimile, nationally recognized overnight express courier or delivered by hand in each case, addressed to the Landlord at its address first above set forth along with a copy to Lender: Finova Capital Realty, Inc., a Delaware corporation,19900 MacArthur Boulevard, Suite 1100, Irvine, California 92612, and Lender's Legal Counsel: Paul Hastings Janofsky & Walker, LLP, 695 Town Center Drive, 17th Floor, Costa Mesa, California 92626-1924 Landlord and Tenant shall each have the right from time to time to specify as its address for purposes of this Lease any other address in the United States of America upon giving fifteen (15) days written notice thereof, similarly given, to the other party. Notices shall be deemed communicated upon the earlier of receipt, or seventy-two (72) hours from the time of mailing if mailed as provided in this Section 11.1 and on the Business Day or first Business Day following transmission if given by facsimile.

11.2. ESTOPPEL CERTIFICATES AND CONSENTS.

(a) Tenant and Landlord will, from time to time, upon not less than twenty (20) days prior request by Landlord or by Lender, execute, acknowledge and deliver to the other party a Certificate in the form of Exhibit "C" attached hereto certifying: (i) that this Lease is unmodified and in full effect (or setting forth any modifications along with the statement that this Lease as modified is in full effect); (ii) that the Basic Rent and Additional Rent payable and the dates to which the Basic Rent, Additional Rent and other sums payable hereunder have been paid and the most recent dates on which the Basic Rent, Additional Rent and other sums payable hereunder have been paid; (iii) that to the knowledge of Tenant, Landlord is not in any default of the Lease which Tenant may have knowledge; (iv) the commencement and expiration dates of the Lease; (v) the amount of any security or other deposits; (vi) that either Tenant is in possession of the Premises or who is in possession; (vii) any concessions or other rights that Tenant (including first refusal, option or other occupancy claims) or Landlord may have; and (viii) such other matters as may reasonably be required by the requesting party. Any such certificate may be relied upon by any mortgagee, prospective purchaser, or prospective mortgagee of the Premises. Tenant further agrees to reasonably cooperate with Lender and its affiliates in the preparation and review of disclosure documents which may be issued in connection with a secondary market transaction involving a sale or securitization of the Loan. Landlord will be responsible for any reasonable outside legal or accounting costs incurred by Tenant in connection with such cooperation, in an amount not to exceed $2,500.00 unless otherwise approved by Landlord.

(b) From time to time during the term of this Lease, Landlord expects to secure financing of its interest in the Premises by assigning Landlord's interest in this Lease and the sums payable hereunder. In the event of any such assignment to Lender, Tenant will, upon not less than ten (10) days prior request by Landlord, execute, acknowledge and deliver to Landlord a consent clearly indicating (i) that Tenant is to make Basic Rent payments or portions thereof directly to Lender or Lender's designee if required by Lender, and (ii) consent to such assignment addressed to such lender in a form satisfactory to Lender; and Tenant will use its best efforts to produce, at Tenant's expense, such certificates, opinions of counsel and other documents as may be reasonably requested by Lender, at a cost not to exceed $2,500. Notwithstanding the foregoing, Landlord will contribute one-half the cost of any opinion of counsel requested by Lender. Tenant acknowledges that, by execution hereof, it has agreed to make payments of Basic Rent or portions thereof directly to Lender or Lender's designee, without further notice or direction if required by Lender.

11.3. DETERMINATION OF FAIR MARKET VALUE. Fair market value for purposes of Section 11.7.1 hereof shall be determined by an appraisal, which shall be performed by an appraiser selected by Landlord, and paid by Tenant. Any appraiser selected by Landlord shall have qualifications that include a minimum of five (5) years of experience in the appraisal of commercial real estate in Orange County. Such appraiser shall be disinterested, and shall be a member of a nationally recognized appraisal association. Further, any such appraiser shall comply with the licensing law then in effect for appraisers authorized to perform general appraisals within the State of California. If there are then any existing United States laws governing appraisers, said appraiser shall be in compliance with the then applicable Federal laws for appraisers performing appraisals of commercial real estate. In the event that Tenant disputes the appraised fair market value determined by an appraiser (hereinafter the "First Appraiser"), who performed an appraisal pursuant to this Section 11.3, it shall so notify Landlord within five (5) days after receipt of such written determination by the First Appraiser, and the disagreement shall be resolved as follows:

(a) Within five (5) days after the service of such notice by Tenant to Landlord, Tenant shall designate a second appraiser (the "Second Appraiser"), who shall appraise the fair market value of the Premises, assuming the provisions of this Lease (except the Basic Rent provision) would govern for a five (5) year term, all in accordance with the requirements of this Section 11.3. This Second Appraiser shall render its opinion of the fair market value no later than thirty (30) days after the service of notice by Tenant stated above. In the event that the higher of the two appraised fair market values rendered herein is not more than ten percent (10%) greater than the lower of the two appraised fair market rental values, then the mean between the two appraised values shall be utilized to fix the appraised fair market value.

(b) In the event that the higher of the two appraised fair market values is more than ten percent (10%) higher than the lower of the two appraised fair market rental values, then the First Appraiser and the Second Appraiser will meet within five (5) days after receipt and acceptance of the Second Appraisal by Tenant, to attempt to agree upon the appraised fair market value. If the First Appraiser and Second Appraiser do not agree upon the appraised fair market value after such meeting, then they shall appoint a third appraiser (the "Third Appraiser").

(c) If the First and Second Appraiser shall be unable to agree upon the appointment of the Third Appraiser within five (5) days after the time specified in subsection "(ii)" above, then the Third Appraiser shall be selected by the Tenant and Landlord themselves. If Tenant and Landlord cannot agree on the third appraiser, within a further period of five (5) days, then either, on behalf of both, may apply to the person who is, at the time, the most senior in service, active Judge of the United States District Court for the District of where the Premises are located, for the selection of the Third Appraiser. If that Judge cannot or will not make the appointment, then the application will be made to the next most senior Judge, and so on down the line of seniority. The fees and costs of the Second Appraiser and the Third Appraiser will be borne by Tenant, and the cost of application to the Judge of the United States District Court shall be borne by Tenant. In the event of the failure, refusal or inability of any appraiser to act, a new appraiser shall be appointed in this stead, which appointment shall be made in the same manner as provided herein; e.g., if the Second Appraiser must be replaced, then Tenant will have the right to designate its replacement. In the event that a Third Appraiser is selected in the manner aforesaid, it shall perform an appraisal of the fair market value of the Premises in accordance with the terms of this Section 11.3 within thirty (30) days after its appointment. In the event that the appraised fair market rental value rendered by the Third Appraiser is higher than the lower appraised fair market value, but lower than the higher appraised fair market value, as rendered by the First Appraiser and the Second Appraiser, then the appraised fair market value rendered by the Third Appraiser shall become the appraised value. In the event that the appraised value rendered by the Third Appraiser is lower than the lower appraised value or higher than the higher appraised fair value, as rendered by the First Appraiser and Second Appraiser, than an Appraisal Panel shall be convened.

The "Appraisal Panel," consisting of the First, Second and Third Appraiser, shall convene within five (5) days after submission of a written appraisal to Landlord and Tenant by the Third Appraiser (which Third Appraisal does not resolve the appraised fair market value question in accordance with this Section 11.3). The purpose of the formation of the Appraisal Panel will be to attempt to reach a decision by two members of the Appraisal Panel on the appraised fair market value. A decision joined in by any two of the appraisers of the Appraisal Panel shall be the decision of the Appraisal Panel, and shall be binding upon the parties hereto. If no two members of the Appraisal Panel can concur in a decision of the appraised fair rental value within ten (10) days after the submission of the appraisal by the Third Appraiser to the parties, then the parties shall go to a neutral mediator for mediation. If the parties are unable to agree upon a fair market value through mediation, the matter will be submitted to binding arbitration under the expedited rules of the American Arbitration Association.

11.4. NO MERGER. There shall be no merger of this Lease or the leasehold estate hereby created with the fee estate in the Premises or any part thereof by reason of the same person acquiring or holding, directly or indirectly, this Lease or the leasehold estate hereby created or any interest in this Lease or in such leasehold estate as well as the fee estate in the Premises or any portion thereof.

11.5. SURRENDER. Upon the termination of this Lease, Tenant shall peaceably surrender the Premises to Landlord in good and marketable condition, fully operational as a standard, fully air-conditioned research and development building. Tenant shall remove from the Premises prior to or within a reasonable time after such termination (not to exceed thirty (30) days) all its property that is capable of removal without causing damage to the Premises, and, at Tenant's expense, shall at such times of removal, repair any damage caused by such removal. Property not so removed shall become the property of Landlord. Landlord may thereafter cause such property to be removed and disposition of and the cost of repairing any damage caused by such removal shall be borne by Tenant. Notwithstanding anything to the contrary contained herein, upon termination of this Lease pursuant to a default by Tenant, the heating, ventilation and air conditioning systems shall remain on the Premises and shall become the property of Landlord. Any holding over by Tenant of the Premises after the expiration or earlier termination of the term of this Lease or any extensions thereof, with the consent of Landlord, shall operate and be construed as a tenancy from month to month only, at one hundred twenty-five percent (125%) of the Basic Rent reserved herein and upon the same terms and conditions as contained in this Lease. Notwithstanding the foregoing, any holding over without Landlord's consent shall entitle Landlord, in addition to collecting Basic Rent at a rate of one hundred twenty- five percent (125%) thereof, to exercise all rights and remedies provided by law or in equity.

11.6. SEPARABILITY. Each and every covenant and agreement contained in this Lease is separate and independent, and the breach of any thereof by Landlord shall not discharge or relieve Tenant from any obligation hereunder. If any term or provision of this Lease or the application thereof to any person or circumstances or at any time to any extent be invalid and unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances or at any time other than those to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and shall be enforced to the extent permitted by law.

11.7. MERGER, CONSOLIDATION OR SALE OF ASSETS.

11.7.1 A merger or consolidation of Tenant with another unaffiliated entity or the sale of substantially all of the assets of Tenant to another entity shall be subject to the terms of this Section 11.7 and shall require Landlord's reasonable consent. Tenant may, however, without Landlord's consent, merge with or convey its assets to another entity with a credit rating that is equal or better than Tenant's credit rating, as determined by the major national credit rating agencies, including Dunn & Bradstreet, or engage in a leveraged buyout or recapitalization; provided that, if the transaction results in a downgrading of Tenant's credit rating, then Landlord's consent is required. Any of the foregoing acts, if done without the consent of Landlord, if required, shall be void and shall, at the option of Landlord, constitute an Event of Default that entitles Landlord to terminate this Lease unless Tenant makes an offer to purchase the Premises for an amount which is equal to the fair market value of the Premises (including the value of the Lease) determined in the manner set forth in Section 11.3, plus any prepayment costs of the Loan, which such offer may be accepted or rejected by Landlord. If Landlord fails to accept Tenant's purchase offer, it will be deemed to have consented to the merger, consolidation or sale of assets.

11.7.2. In addition to foregoing, if Landlord consents to a merger, consolidation or sale of assets as set forth in Section 11.7.1, or if Tenant has become a subsidiary of a corporation whose senior unsecured and unenhanced debt has an investment grade rating by Standard and Poors Corporation, Tenant shall cause such assignee or parent corporation to deliver to Landlord an unconditional guaranty of payment and performance (and not merely collectability) of all of Tenant's obligations under the Lease, containing customary waivers and in form reasonably satisfactory to Landlord.

11.8. SAVINGS CLAUSE. No provision contained in this Lease which purports to obligate Tenant to pay any amount of interest or any fees, costs or expenses which are in excess of the maximum permitted by applicable law, shall be effective to the extent that it calls for payment of any interest or other sums in excess of such maximum.

11.9. BINDING EFFECT. All of the covenants, conditions and obligations contained in this Lease shall be binding upon and inure to the benefit of the respective successors and assigns of Landlord and Tenant to the same extent as if each successor and assign were in each case named.

11.10. TABLE OF CONTENTS AND HEADINGS. The table of contents and headings used in this Lease are for convenience of reference only and shall not to any extent have the effect of modifying, amending or changing the provisions of this Lease.

11.11. GOVERNING LAW. This Lease shall be governed by and interpreted under the laws of the state of California.

11.12. CERTAIN DEFINITIONS.

(a) The term "Affiliate" of a person or entity means any other person or entity which, directly or indirectly, controls or is controlled by or is under common control with such person or entity (excluding any trustee under, or any committee with responsibility for administering, any employee benefit plan under which such person, or any wholly-owned subsidiary of such person, may have liability). A person or entity shall be deemed to be controlled by any other person or entity if such other person or entity possesses, directly or indirectly, power to direct or cause the direction of the management and policies of such person or entity whether through the ownership of voting securities, by contract or otherwise

(b) The term "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which federally insured depository institutions in Los Angeles, California or New York, New York are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

(c) The term "Imposition" shall have the following meaning and include all surcharges, interest and penalties thereto:

(i) All real estate taxes, including without limitation, any special taxing districts taxes or levies, imposed by governmental authorities or special taxing districts of any kind;

(ii) Any single business, transaction privilege, rent, gross receipts or similar taxes imposed or levied upon, assessed against or measured by the Basic Rent, Additional Rent or any other sums payable by Tenant hereunder or levied upon or assessed against the Premises;

(iii) All ad valorem, sales and use taxes which may be levied or assessed against or payable by Landlord and Tenant on account of the acquisition, leasing or use of the Premises or any portion thereof, including without limitation, any taxes levied on the rental payable hereunder;

(iv) All payments due on all covenants and obligations running with the land;

(v) All charges for water, gas, light, heat, telephone, electricity, and other utilities and communication services rendered or used on or about the Premises: and

(vi) All other taxes and any payments in lieu thereof, assessments (including assessments for benefits from public works or improvements, whether or not begun or completed prior to the commencement of the term of this Lease and whether or not to be completed within said term), levies, fees, water and sewer rents and charges, and all other governmental charges of every kind, general and special, ordinary and extraordinary, whether or not the same shall have been within the express contemplation of the parties hereto, imposed or levied upon or assessed against: (A) the Premises or any part thereof; (B) any Basic Rent or Additional Rent reserved or payable hereunder; and/or (C) this Lease or the leasehold estate created hereby or which arise in respect of the operation, possession, occupancy or use of the Premises.

(d) The term "Landlord" means the owner, for the time being, of the rights of the lessor under this Lease, and its successors and assigns, and upon any assignment or transfer of such rights, except an assignment or transfer made as security for an obligation, the assignor or transferor shall be relieved of all future duties and obligations under this Lease, subject to the consent of Lender, and if and only if the assignee or the transferee shall expressly agree in writing to be bound by and to assume all the covenants of Landlord hereunder.

(e) The term "Lease" means this Lease and Agreement of Lease as amended and modified from time to time together with any memorandum or short form of lease entered into for the purpose of recording.

(f) The term "Lender" means Finova Realty Capital, Inc., a Delaware corporation and its successors and assigns and any other subsequent holder of a first mortgage encumbering the Premises.

(g) The term "Permitted Encumbrance" means:

(i) The Mortgage, the Assignment and any other security instrument relating to the Premises and this Lease, subject to the rights of Tenant under this Lease, and securing the borrowing by Landlord from Lender;

(ii) Any liens for taxes, assessments and other governmental charges and any liens of mechanics, materialmen and laborers for work or services performed or materials furnished in connection with the Premises, which are not due and payable;

(iii) The easements, rights-of-way, encroachments, encumbrances, restrictive covenants or other matters affecting the title to the Premises or any part thereof set forth in Schedule B to the policy of owners title insurance (or commitment therefor) delivered to and accepted by Landlord with respect to the Premises in connection with the delivery of this Lease as shown on Exhibit "B" attached hereto; and

(iv) This Lease and the rights of Tenant hereunder;

(h) The term "Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government.

(i) The term "Tenant's Certificate" means a written certificate signed by the Chairman of the Board, the Chief Executive Officer, the President or any Vice President of Tenant.

(j) The term "Tenant's Trade Fixtures" means all personal property of Tenant in or on the Premises which is not necessary for the operation of the Improvements.

(k) The term "Termination Date" means the date on which this Lease terminates in accordance with its terms, and shall be a Payment Date (as defined in the Loan Commitment).

11.13. EXHIBITS. The following are Exhibits "A," "B," "C" and "D" referred to in this Lease, which are hereby incorporated by reference herein and made a part hereof.

(a) Exhibit "A" to Lease: Legal Description.
(b) Exhibit "B" to Lease: Permitted Encumbrances.
(c) Exhibit "C" to Lease: Tenant Estoppel Certificate
(d) Exhibit "D" to Lease: Subordination, Non-Disturbance, and Attornment Agreement
(e) Exhibit "E" to Lease: Memorandum of Lease
(f) Exhibit "F" to Lease: Shell Space Improvement Costs

11.14. INTEGRATION. This Lease, the exhibits hereto and the memorandum, if any, hereof, constitute the entire agreement between the parties hereto with regard to the subject matter hereof, and supersede any prior understandings, agreements or negotiations. This Lease may not be amended or modified except by a writing executed by Tenant and Landlord, with the written consent of Lender.

11.15. LEASE MEMORANDUM. Each of Landlord and Tenant shall execute, acknowledge and deliver to the other a written memorandum of this Lease ("Memorandum") in the form attached as Exhibit "E", to be recorded at Tenant's sole cost and expense in the appropriate land records of the jurisdiction in which the Premises is located, in order to give public notice and protect the validity of this Lease. In the event of any discrepancy between the provisions of the recorded Memorandum and the provisions of this Lease, the provisions of this Lease shall prevail.

11.16. SUBORDINATION TO FINANCING.

(a) (i) Subject to the provisions of Section 11.16(a)(ii) below, Tenant agrees that this Lease shall at all times be subject and subordinate to the lien of any first Mortgage, and Tenant agrees, upon demand, without cost, to execute instruments as may be required to further effectuate or confirm such subordination.

(ii) Except as expressly provided in this Lease by reason of the occurrence of an Event of Default, Tenant's tenancy and Tenant's rights under this Lease shall not be disturbed, terminated or otherwise adversely affected, nor shall this Lease be affected, by any default under any Mortgage, and in the event of a foreclosure or other enforcement of any Mortgage, or sale in lieu thereof, the purchaser at such foreclosure sale shall be bound to Tenant for the Terms of this Lease, the rights of Tenant under this Lease shall expressly survive, and this Lease shall in all respects continue in full force and effect so long as no Event of Default has occurred and is continuing. Tenant shall not be named as a party defendant in any such foreclosure suit, except as may be required by law. Any Mortgage to which this Lease is now or hereafter subordinate shall provide, in effect, that during the time this Lease is in force insurance and condemnation proceeds shall be permitted to be used in accordance with the provisions of this Lease.

(b) Notwithstanding the provisions of Section 11.16(a), the holder of any first Mortgage to which this Lease is subject and subordinate shall have the right, at its sole option, at any time, to subordinate and subject the Mortgage, in whole or in part, to this Lease by recording a unilateral declaration to such effect, provided that such holder shall have agreed that during the time this Lease is in force insurance proceeds and Net Award shall be permitted to be used for restoration in accordance with the provisions of this Lease.

(c) At any time prior to the expiration of the Term, Tenant agrees, at the election and upon demand of any owner of the Leased Premises, or of a lender who has granted non- disturbance to Tenant pursuant to Section 11.16(a) above, to attorn, from time to time, to any such owner or lender, upon the terms and conditions of this Lease, for the remainder of the Term. The provisions of this Section 11.16(c) shall inure to the benefit of any such owner or lender, shall apply notwithstanding that, as a matter of law, this Lease may terminate upon the foreclosure of the Mortgage, shall be self-operative upon any such demand, and no further instrument shall be required to give effect to said provisions.

(d) Each of Tenant, any owner and lender, however, upon demand of the other, hereby agrees to execute, from time to time, instruments in confirmation of the foregoing provisions of Sections 11.16(a) and 11.16(c), reasonably satisfactory to the requesting party acknowledging such subordination, non-disturbance and attornment as are provided in such subsections and setting forth the terms and conditions of its tenancy.

(e) Each of Tenant, Landlord and Lender agrees that, if requested by any of the others, each shall, without charge, enter into a Subordination, Non-Disturbance and Attornment Agreement in the form attached hereto as Exhibit "D" and Tenant hereby agrees for the benefit of Lender that Tenant will not: (i) without in each case the prior written consent of Lender, which shall not be unreasonably withheld, conditioned or delayed, amend or modify the Lease (provided, however, Lender, in Lender's sole discretion may withhold or condition its consent to any amendment or modification which would or could (A) alter in any way the amount or time for payment of any Basic Rent, Additional Rent or other sum payable hereunder, (B) alter in any way the absolute and unconditional nature of Tenant's obligations hereunder or materially diminish any such obligations, (C) result in any termination hereof prior to the end of the Primary Term, or (D) otherwise, in Lender's reasonable judgment, affect the rights or obligations of Landlord or Tenant hereunder), or enter into any agreement with Landlord so to do; (ii) without the prior written consent of Lender which may be withheld in Lender's sole discretion, cancel or surrender or seek to cancel or surrender the Term hereof, or enter into any agreement with Landlord to do so (the parties agreeing that the foregoing shall not be construed to affect the rights or obligations of Tenant, Landlord or Lender with respect to any termination permitted under the express terms hereof in connection with an offer to purchase the property following certain events of condemnation; or (iii) pay any installment of Basic Rent more than one (1) month in advance of the due date thereof or otherwise than in the manner provided for in this Lease.

11.17. TENANT'S RIGHT OF FIRST REFUSAL. If during the Term of this Lease Landlord receives a bona fide third party offer to purchase the Premises which it wishes to accept, Tenant shall the right to acquire ownership of the Premises on the same terms and conditions set forth in the third party offer. In the event Landlord receives and wishes to accept an offer for the purchase of the Premises, Landlord shall deliver to Tenant a notice (the "First Refusal Notice") setting forth (i) the identity of the offeree, and (ii) each of the material terms of the proposed transaction. Tenant shall have fifteen (15) days after receipt of the First Refusal Notice from Landlord (the "Right of First Refusal Period") to notify Landlord in writing of its intent to purchase the Premises on the terms set forth in the First Refusal Notice. By notifying Landlord within the Right of First Refusal Period, Tenant will be bound under this Lease to purchase the Premises from Landlord, and Landlord will be bound under this Lease to sell to Tenant, the Premises on such terms. If Tenant fails to respond to during the Right of First Refusal Period, Tenant shall be deemed to have elected not to purchase the Premises and Landlord shall have the right to sell the Premises without further obligation to Tenant. If Landlord agrees to sell the Premises to a prospective buyer for a price which is more than ten percent (10%) lower than the price originally offered to Tenant in the First Refusal Notice, then the Premises must be re-offered to Tenant at such lower price (the "Re-offer Notice"). Tenant shall notify Landlord in writing within five (5) days of receipt of the Re-offer Notice whether it elects to purchase the Premises. If Tenant is the purchaser under this Section 11.17, then such purchase shall be on an "as is, where is" basis and Tenant shall release Landlord from any and all claims arising from or related to the condition of the Premises, including without limitation, claims arising under Environmental Laws or Applicable Laws. This right of first refusal shall only apply to the first sale of the Premises to occur after the Commencement Date and shall be extinguished if Tenant fails to accept Landlord's offer to sell the Premises.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above set forth.

"LANDLORD"

TNCA, LLC
a Delaware limited liability company

By: TNCA, Inc., a Delaware
corporation, Its Manager

By: /S/ C. FREDERICK WEHBA

C. Frederick Wehba II, President

"TENANT"

TECHNICLONE CORPORATION,
a Delaware corporation

By: /S/ STEVEN C. BURKE

Name: STEVEN C. BURKE

Title: CFO

EXHIBIT "A"

LEGAL DESCRIPTION

Parcel A:

Parcels 2 and 3 of parcel map 95-115, in the city of Tustin, County of Orange, State of California, as per map recorded in book 290 page(s) 3 through 5 inclusive of Miscellaneous maps, in the office of the County Recorder of said County.

Excepting therefrom all oil, oil rights, minerals, mineral rights, natural gas rights, and other hydrocarbons by whatsoever name known that may be within or under the parcel of land hereinabove described, together with the perpetual rights of drilling, mining, exploring and operating therefor, and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from land other than those hereinabove described, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land hereinabove described, and to bottom such whipstocked or directionally thereof, and to redrill retunnel, equip, maintain, repair, deepen and operate any wells or mines, without, however, the right to drill, mine, store, explore and operate through the surface of the upper 500 feet of the subsurface of the land hereinabove described, as reserved in deeds or record.

Parcel B:

Easements for access, ingress, egress and parking over parcel A of parcel map recorded in book 290 , pages 3, 4 and 5 of parcel maps as set forth in that certain declaration of restrictions entitled "Franklin Court" and recorded January 9, 1996 as instrument No. 96-0012567 and re-recorded April 30, 1996 as instrument No. 96-214962 both of official records.

EXHIBIT "B"

PERMITTED ENCUMBRANCES

1. A perpetual air or flight easement, sometimes referred to as Aviation Rights, in and to all the air space above a plane of 500 feet over said land, as conveyed to the county of Orange by an instrument. Recorded: March 17, 1964 in book 6965, Page 721, Official Records.

2. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as shown on the filed map. For: Proposed Railroad Easement. Affects: Parcel B

3. Covenants, conditions and restrictions, but omitting any covenants or restrictions if any, based on race, color religion, sex, handicap, familial status or national origin unless and only to the extent that said covenant (A) is exempt under Chapter 42, Section 3607 of the United States Code or (B) relates to handicap but does not discriminate against handicapped persons, in an instrument. Recorded: in book 11132, page(s) 514, official records. Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

4. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as shown on the filed map. For: Water lines. Affects: The southwesterly 3 feet of said land.

5. Covenants, conditions and restrictions, but omitting any covenants or restrictions if any, based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that said covenant (A) is exempt under Chapter 42, Section 3607 of the United States code or (B) relates to Handicap but does not discriminate against handicapped persons, in an instrument. Recorded: In book 13907, page(s) 809, official records. Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or deed of trust made in good faith and for value.

6. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following: Granted to: Irvine Ranch Water District, a California Water District. For: Public Utilities. Recorded: July 7, 1987 as instrument no. 87-386568, official records. Affects: Parcels A and B.

7. An easement affecting that portion of said land and for the purposes stated herein and incidental purposes as provided in the following: Granted to: Southern California Edison Company, a corporation. For: Public Utilities. Recorded: July 29, 1987 as instrument no. 87-430548, official records. Affects: Parcel 2 of Parcels A and B.

8. Covenants, conditions, restrictions, limitations, easements, assessments, reservations, exceptions, terms, liens or charges, but omitting any covenants or restrictions if any, based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that said covenant (A) is exempt under Chapter 42, Section 3607 of the United States Code or (B) relates to handicap but does not discriminate against handicapped persons, as provided in an instrument. Recorded: January 9, 1996 as instrument no. 96-0012667, official records. And re-recorded April 30, 1996 Instrument No. 96-0214962, of official records.

9. Any rights of parties in possession of said land as tenants only under written by unrecorded Leases containing no options to purchase or rights of First Refusal.

10. Any rights, interests or claims which may exist or arise by reason of the facts shown on a survey plant entitled A.L.T.A./A.C.S.M. Land Title Survey for Techniclone Corporation, dated September 10, 1998, prepared by Huitt-Zollars, Inc., Job No. 10063201, as follows:

A) Landscaping along all the boundary lines (Affects Parcel B).

B) Water meters and water valve assemblies, sewer clean-outs, electric pull box, temporary power poles, concrete walkway for pedestrian ingress and egress (Affects Parcel B).

C) Electrical vault outside the easement area (Affects Parcel 3 of Parcel A of the legal description).

D) Concrete retaining wall encroaches unto the easement shown as item no. 8 of this report. (Affects Parcel B).

EXHIBIT "C"

TENANT ESTOPPEL CERTIFICATE

To: FINOVA Realty Capital Inc., a Delaware corporation, its successors and assigns (collectively "LENDER")

The undersigned hereby certifies and agrees as follows:

1. The undersigned is the tenant (the "TENANT") under that certain Lease (the "LEASE") by and between Tenant and TNCA (such party, together with its successors and assigns hereinafter collectively referred to as the "LANDLORD") dated as of December __, 1998 affecting space in the building located at 14272 and 14282 Franklin Avenue, Tustin, California 92780 (the "BUILDING").

2. The Lease commenced on December ___ , 1998.

3. The primary term of the Lease expires on December 31, 2010. Tenant has no option or other right to extend the term of the Lease beyond December 31, 2020

4. Tenant has accepted and is occupying the entire premises demised to it under the Lease (the "PREMISES") and all improvements to the Premises required by the Lease have been completed by Landlord in accordance with the Lease.

5. Tenant has not paid rent or additional rent beyond the current month and agrees not to pay rent or additional rent more than one month in advance at any time.

6. Rent payable in the amount of $56,250 per month has been paid (pro-rated) through December 31, 1998.

7. There are no defenses to or offsets against the enforcement of the Lease or any provision thereof by the Landlord.

8. Tenant has deposited $112,500 as a security deposit with Landlord pursuant to the terms of the Lease.

9.Landlord has not agreed to grant Tenant any free rent or rent rebate or to make any contribution to tenant improvements. Landlord has not agreed to reimburse Tenant for or to pay Tenant's rent obligation under any other lease.

10. Tenant has not advanced any funds for or on behalf of Landlord for which Tenant has a right to deduct from or offset against future rent payments.

11. The Lease is in full force and effect without default thereunder by Tenant or, to the best knowledge of Tenant, Landlord.

12. The Lease is the entire agreement between the Landlord and Tenant pertaining to Tenant's right, title and interest in and to the Premises.

13. The Lease has not been amended, modified or supplemented except as set forth in Paragraph 1 above.

14. Tenant agrees that no future amendment of the Lease shall be enforceable unless such amendment has been consented to in writing by Lender.

15. Except as set forth in the Lease, Tenant does not have any purchase option or first refusal right with respect to the Building. Tenant does not have any right or option for additional space in the Building.

16. Since the date of the Lease, there has been no material adverse change in the financial condition of Tenant, and there are no actions, whether voluntary or otherwise, pending against Tenant under the bankruptcy, reorganization, arrangement, moratorium or similar laws of the United States, any state thereof or any other jurisdiction.

17. Tenant will not seek to terminate the Lease or seek or assert any set-off or counterclaim against the rent or additional rent by reason of any act or omission of the Landlord, until Tenant shall have given written notice of such act or omission to Lender.

18. Tenant agrees to provide earthquake insurance, in addition to the other insurance required under the Lease, in an amount reasonably determined by Lender in its sole discretion.

19. If Tenant shall make a Purchase Offer (as defined in the Lease) pursuant to Section 7 of the Lease and purchases the Property in connection therewith, Tenant acknowledges that all proceeds shall be applied first to the amount due Lender under the Loan Documents, including any prepayment penalties, plus reasonable out-of-pocket expenses of Lender relating to such purchase.

Tenant acknowledges that Lender will rely on this Certificate in making a loan or otherwise extending credit to Borrower.

TECHNICLONE CORPORATION,
a Delaware corporation

By:_____
Name:_____
Title:_____

EXHIBIT "D"

SUBORDINATION, NON-DISTURBANCE, AND ATTORNMENT AGREEMENT

THIS SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT (the "Agreement") is made as of the ____day of December, 1998 by and between FINOVA Realty Capital Inc., a Delaware corporation, having an address at 19900 MacArthur Boulevard, Suite 1100, Irvine, California 92612 ("Lender") and TECHNICLONE CORPORATION, a Delaware corporation, having an address at 14282 Franklin Avenue, Tustin, California 92780 ("Tenant").

RECITALS:

A. Lender is the present owner and holder of a certain mortgage and security agreement (the "Security Instrument") dated December ___, 1998, given by Landlord (defined below) to Lender which encumbers the fee estate of Landlord in certain premises described in Exhibit A attached hereto (the "Property") and which secures the payment of certain indebtedness owed by Landlord to Lender evidenced by a certain promissory note dated December ___ , 1998, given by Landlord to Lender (the "Note");

B. Tenant is the holder of a leasehold estate in a portion of the Property under and pursuant to the provisions of a certain lease dated as of December , 1998 between TNCA, LLC, a Delaware limited liability company, as landlord ("Landlord") and Tenant, as tenant (the "Lease"); and

C. Tenant has agreed to subordinate the Lease to the Security Instrument and to the lien thereof and Lender has agreed to grant non-disturbance to Tenant under the Lease on the terms and conditions hereinafter set forth.

AGREEMENT:

For good and valuable consideration, Tenant and Lender agree as follows:

1. SUBORDINATION. The Lease and all of the terms, covenants and provisions thereof and all rights, remedies and options of Tenant thereunder are and shall at all times continue to be subject and subordinate in all respects to the terms, covenants and provisions of the Security Instrument and to the lien thereof, including without limitation, all renewals, increases, modifications, spreaders, consolidations, replacements and extensions thereof and to all sums secured thereby and advances made thereunder with the same force and effect as if the Security Instrument had been executed, delivered and recorded prior to the execution and delivery of the Lease.

2. NON-DISTURBANCE. If any action or proceeding is commenced by Lender for the foreclosure of the Security Instrument or the sale of the Property, Tenant shall not be named as a party therein unless such joinder shall be required by law, provided, however, such joinder shall not result in the termination of the Lease or disturb the Tenant's possession or use of the premises demised thereunder, and the sale of the Property in any such action or proceeding and the exercise by Lender of any of its other rights under the Note or the Security Instrument shall be made subject to all rights of Tenant under the Lease, provided that at the time of the commencement of any such action or proceeding or at the time of any such sale or exercise of any such other rights

(a) the term of the Lease shall have commenced pursuant to the provisions thereof, (b) Tenant shall be in possession of the premises demised under the Lease, (c) the Lease shall be in full force and effect and (d) Tenant shall not be in material default under any of the terms, covenants or conditions of the Lease as determined by Lender in its reasonable discretion or of this Agreement on Tenant's part to be observed or performed.

3. ATTORNMENT. If Lender or any other subsequent purchaser of the Property shall become the owner of the Property by reason of the foreclosure of the Security Instrument or the acceptance of a deed or assignment in lieu of foreclosure or by reason of any other enforcement of the Security Instrument (Lender or such other purchaser being hereinafter referred as "Purchaser"), and the conditions set forth in Section 2 above have been met at the time Purchaser becomes owner of the Property, the Lease shall not be terminated or affected thereby but shall continue in full force and effect as a direct lease between Purchaser and Tenant upon all of the terms, covenants and conditions set forth in the Lease and in that event, Tenant agrees to attorn to Purchaser and Purchaser by virtue of such acquisition of the Property shall be deemed to have agreed to accept such attornment, provided, however, that Purchaser shall not be (a) liable for the failure of any prior landlord (any such prior landlord, including Landlord and any successor landlord, being hereinafter referred to as a "Prior Landlord") to perform any of its obligations under the Lease which have accrued prior to the date on which Purchaser shall become the owner of the Property, provided that the foregoing shall not limit Purchaser's obligations under the Lease to correct any conditions that (i) existed as of the date Purchaser shall become the owner of the Property and (ii) violate Purchaser's obligations as landlord under the Lease; provided further, however, that Purchaser shall have received written notice of such omissions, conditions or violations and has had a reasonable opportunity to cure the same, all pursuant to the terms and conditions of the Lease, (b) subject to any offsets, defenses, abatements or counterclaims which shall have accrued in favor of Tenant against any Prior Landlord prior to the date upon which Purchaser shall become the owner of the Property, (c) liable for the return of rental security deposits, if any, paid by Tenant to any Prior Landlord in accordance with the Lease unless such sums are actually received by Purchaser, (d) bound by any payment of rents, additional rents or other sums which Tenant may have paid more than one (1) month in advance to any Prior Landlord unless (i) such sums are actually received by Purchaser or (ii) such prepayment shall have been expressly approved of by Purchaser or (e) bound by any agreement terminating or amending or modifying the rent, term, commencement date or other material term of the Lease, or any voluntary surrender of the premises demised under the Lease, made without Lender's or Purchaser's prior written consent prior to the time Purchaser succeeded to Landlord's interest. In the event that any liability of Purchaser does arise pursuant to this Agreement, such liability shall be limited and restricted to Purchaser's interest in the Property and shall in no event exceed such interest.

4. NOTICE TO TENANT. After notice is given to Tenant by Lender that the Landlord is in default under the Note and the Security Instrument and that the rentals under the Lease should be paid to Lender pursuant to the terms of the assignment of leases and rents executed and delivered by Landlord to Lender in connection therewith, Tenant shall thereafter pay to Lender or as directed by the Lender, all rentals and all other monies due or to become due to Landlord under the Lease and Landlord hereby expressly authorizes Tenant to make such payments to Lender and hereby releases and discharges Tenant from any liability to Landlord on account of any such payments.

5. NOTICE TO LENDER AND RIGHT TO CURE. Tenant shall notify Lender of any default by Landlord under the Lease and agrees that, notwithstanding any provisions of the Lease to the contrary, no notice of cancellation thereof or of an abatement shall be effective unless Lender shall have received notice of default giving rise to such cancellation or abatement and shall have failed within forty five (45) days after receipt of such notice to cure such default, or if such default cannot be cured within forty five (45) days, shall have failed within forty five (45) days after receipt of such notice to commence and thereafter diligently pursue any action necessary to cure such default. Notwithstanding the foregoing, Lender shall have no obligation to cure any such default.

6. NOTICES. All notices or other written communications hereunder shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged by the recipient thereof and confirmed by telephone by sender, (ii) one (1) Business Day (hereinafter defined) after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Tenant:
TECHNICLONE CORPORATION
14282 Franklin Avenue
Tustin, CA 92780
Attention: Steven C. Burke
Phone No. (714) 508-6000
Facsimile No. (714) 838-9433

If to Lender:
FINOVA REALTY CAPITAL INC.
c/o Midland Loan Services, L. P.
Commercial Mortgage Servicing
210 West 10th Street, 5th Floor
Kansas City, MO 64105
Attention: Dennis Siefers
Phone No. (816) 435-5061
Facsimile No. (816)435-2327

or addressed as such party may from time to time designate by written notice to the other parties. For purposes of this Section 0, the term "Business Day" shall mean a day on which commercial banks are not authorized or required by law to close in the state where the Property is located. Either party by notice to the other may designate additional or different addresses for subsequent notices or communications.

7. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of Lender, Tenant and Purchaser and their respective successors and assigns.

8. GOVERNING LAW. This Agreement shall be deemed to be a contract entered into pursuant to the laws of the State where the Property is located and shall in all respects be governed, construed, applied and enforced in accordance with the laws of the State where the Property is located.

9. MISCELLANEOUS. This Agreement may not be modified in any manner or terminated except by an instrument in writing executed by the parties hereto. If any term, covenant or condition of this Agreement is held to be invalid, illegal or unenforceable in any respect, this Agreement shall be construed without such provision. This Agreement may be executed in any number

of duplicate originals and each duplicate original shall be deemed to be an original. This Agreement may be executed in several counterparts, each of which counterparts shall be deemed an original instrument and all of which together shall constitute a single Agreement. The failure of any party hereto to execute this Agreement, or any counterpart hereof, shall not relieve the other signatories from their obligations hereunder. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa.

IN WITNESS WHEREOF, Lender and Tenant have duly executed this Agreement as of the date first above written.

LENDER:
FINOVA REALTY CAPITAL INC.
a Delaware corporation

By:_____
Name:_____
Title:_____

TENANT:
TECHNICLONE CORPORATION
a Delaware corporation

By:_____

Name:_____

Title:_____

The undersigned accepts and agrees to the provisions of Section 4 hereof:

LANDLORD:

TNCA, LLC,
a Delaware corporation

By: TNCA, INC.
a Delaware corporation
Manager

By:_____
Name:_____
Title:_____

(ALL SIGNATURES MUST BE NOTARIZED)

State of California)
) ss.
County of Los Angeles)

On , _____before me, the undersigned, personally appeared C. Frederick Wehba II, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public in and for said
County and State
(SEAL)

(SEAL)

State of California)
) ss.
County of Orange)

On _____ , before me, the undersigned, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public in and for said
County and State
(SEAL)

State of California)
) ss.
County of Orange)

(SEAL)

On _____, before me, the undersigned, personally appeared, _____,
personally known to me (or proved to me on the basis of satisfactory evidence)
to be the person(s) whose name(s) is/are subscribed to the within instrument and
acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the
instrument the person(s), or the entity upon behalf of which the person(s)
acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary Public in and for said
County and State
(SEAL)

(SEAL)

EXHIBIT A

(Description of Property)

Parcel A:

Parcels 2 and 3 of parcel map 95-115, in the city of Tustin, County of Orange, State of California, as per map recorded in book 290 page(s) 3 through 5 inclusive of Miscellaneous maps, in the office of the County Recorder of said County.

Excepting therefrom all oil, oil rights, minerals, mineral rights, natural gas rights, and other hydrocarbons by whatsoever name known that may be within or under the parcel of land hereinabove described, together with the perpetual rights of drilling, mining, exploring and operating therefor, and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from land other than those hereinabove described, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land hereinabove described, and to bottom such whipstocked or directionally thereof, and to redrill retunnel, equip, maintain, repair, deepen and operate any wells or mines, without, however, the right to drill, mine, store, explore and operate through the surface of the upper 500 feet of the subsurface of the land hereinabove described, as reserved in deeds or record.

Parcel B:

Easements for access, ingress, egress and parking over parcel A of parcel map recorded in book 290 , pages 3, 4 and 5 of parcel maps as set forth in that certain declaration of restrictions entitled "Franklin Court" and recorded January 9, 1996 as instrument No. 96-0012567 and re-recorded April 30, 1996 as instrument No. 96-214962 both of official records.

EXHIBIT "E"

LEASE MEMORANDUM

RECORD AND RETURN TO:

TNCA, LLC
c/o The Bentley Forbes Group
1900 Avenue of the Stars141
Suite 2840
Los Angeles, CA 90067
Attention: C. Frederick Wehba II

THIS SPACE RESERVED FOR RECORDERS USE

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE is made and entered into this day of December ___, 1998, by and between TNCA, LLC, a Delaware limited liability company (hereinafter "Landlord") and TECHNICLONE CORPORATION, a Delaware corporation (hereinafter "Tenant).

WITNESSETH

Landlord is the owner of certain tracts or parcels of land in Tustin, California (the "Land"), together with buildings and certain other structures on the Land (the "Improvements") and equipment therein (collectively, as the "Premises"). The legal description of the Premises is set forth on the attached and incorporated EXHIBIT "A."

DEMISE OF PREMISES. In consideration of the rent to be paid and upon the terms and conditions set forth in that certain Lease and Agreement of Lease relating to the Premises between Landlord and Tenant of even date herewith ("Lease") all of which terms and conditions are incorporated by reference herein, Landlord hereby demises the Premises to Tenant, and Tenant hereby lets and accepts the Premises from Landlord.

TERMS. Subject to the terms and conditions of the Lease, Tenant shall have and hold the premises for a primary term commencing on the date hereof, and ending at 11:59 p.m. Pacific Time on December 31, 2010. Thereafter, Tenant shall have the right and options to extend the Lease for two (2) consecutive extended terms of five (5) years each.

ASSIGNMENT AND SUBLETTING. Provided that no Event of Default as defined in the Lease shall be continuing, Tenant may assign all its rights and interests under the Lease or sublet all or any part of the Premises with Landlord's reasonable consent if each such assignment or sublease is expressly made subject to all of the provisions of the Lease, including the use provisions of Section 1.3 of the Lease.

MECHANIC'S LIENS. Section 5.5 of the Lease contains a provision that Landlord will not be liable for any labor, services or materials furnished or to be furnished to Tenant, or to anyone holding the Premises or any part thereof, and that no mechanic's or other liens for any such labor, services or materials shall attach to or affect the interest of Landlord in or to the Premises.

SUBORDINATION TO FINANCING. Section 11.16 of the Lease contains a subordination provision allowing Landlord to subordinate the Lease to a first mortgage, deed of trust, or other encumbrance placed upon the Premises by Landlord so long as the lender provides Tenant with a nondisturbance agreement.

RIGHT OF FIRST REFUSAL. Section 11.17 of the Lease grants to Tenant a right of first refusal to purchase the property which is subject to certain terms and conditions set forth therein.

SUCCESSORS. The covenants, conditions and agreements made and entered into by the parties hereto shall be binding upon and inure to the benefit of their respective representatives, successors and assigns.

In the event of any discrepancy between the provisions of this Memorandum and the provisions of the Lease, the provisions of the Lease shall prevail.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, upon the day and year first hereinabove written, the respective parties hereto have executed the Memorandum of Lease, personally or by officers or agents thereunto duly authorized.

TENANT:

TECHNICLONE CORPORATION,
a Delaware corporation

By:_____
Name:_____
Title:_____

-AND-

LANDLORD:

TNCA, LLC,
a Delaware limited liability company

By: TNCA, Inc., a Delaware corporation
its authorized Manager

By:_____
Name: C. Frederick Wehba II
Title: President

State of California)
) SS
County of Los Angeles)

The foregoing instrument was acknowledged before me this ___day of December, 1998, by C. Frederick Wehba II as president of TNCA, Inc., a Delaware corporation, the manager of TNCA, LLC, a Delaware limited liability company.

My commission expires: _____

_____
NOTARY PUBLIC

State of)
) SS
County of)

The foregoing instrument was acknowledged before me this ____ day of December 1998, by _____ as _____ of TECHNICLONE CORPORATION, a Delaware corporation, on behalf of the corporation.

My commission expires: _____

_____
NOTARY PUBLIC

EXHIBIT "F"

SHELL SPACE IMPROVEMENT COSTS

TECHNICLONE CORPORATION
STATEMENT OF FUTURE IMPROVEMENTS
NOVEMBER 24, 1998

Pursuant to the loan commitment for Finova, the 4,750 square feet of shell condition space located within the 14282 Franklin Avenue building will be improved to a basic R&D finish at a price of approximately $12.00 per square foot. Said improvements will include basic dropped ceiling, finished walls, vinyl tile flooring, supplied with basic mechanical systems, i.e., electrical, lighting, plumbing and HVAC.

/S/ ELIZABETH GORBETT-FROST
- ---
Elizabeth Gorbett-Frost
Corporate Secretary

11/24/98
- ---
Date

EXHIBIT 10.49

PROMISSORY NOTE

$1,925,000.00 December 24, 1998

1. For value received, the undersigned, TNCA HOLDING LLC, a Delaware limited liability company ("Maker"), promises to pay to the order of TECHNICLONE CORPORATION, a Delaware corporation ("Payee"), the principal sum of One Million Nine Hundred Twenty Five Thousand Dollars ($1,925,000) with interest at the rates set forth below. Interest shall commence to accrue at the rate of seven percent (7%) per annum from the date hereof with monthly payments based on an amortization period of twenty (20) years. Commencing on December 1, 2001, the outstanding principal balance shall bear interest at the rate of seven and one-half percent (7-1/2%) per annum.

2. Commencing January 1999 and continuing through December 2001, principal and accrued interest shall be payable in equal monthly installments of Fourteen Thousand Nine Hundred Twenty Four and 50/100 Dollars ($14,924.50) each pursuant to the terms of the escrow agreement with Wilmington Trust Company of even date herewith (the "Escrow Agreement"), a copy of which is attached as Exhibit "A" hereto, but in no event later than the fifteenth (15th) of the month (the "Payment Date"). Commencing January, 2002, principal and accrued interest shall be payable on the Payment Date in equal monthly installments of Fifteen Thousand Four Hundred Forty and 83/100 Dollars ($15,440.83) until fully paid. On the earlier to occur of December 1, 2010, or the date that fee title to that certain real property legally described in the attached Exhibit "B" is conveyed, assigned, or transferred by TNCA, LLC, a Delaware limited liability company ("Subsidiary"), the outstanding principal balance and any and all accrued interest then due and payable shall be paid in full to Payee by Maker.

3. Notwithstanding the provisions of the first two sentences set forth in paragraph 2 of this Promissory Note ("Note"), in the event that Finova Realty Capital, Inc., a Delaware corporation ("Lender") fails to release funds to Subsidiary pursuant to the terms of the Lock Box Agreement (hereinafter, a "Cash Sweep") in connection with that certain loan of even date herewith ("Loan") by Lender to Subsidiary, solely as a result of Payee's failure to comply with the provisions attached and incorporated hereto as Exhibit "C," then all monthly payments of principal and interest due under this Note shall be suspended during the time the Cash Sweep is in effect. No additional interest will accrue on the principal outstanding balance of the Note during the time Note payments are suspended, however, if Lender pays Subsidiary interest on the cash swept, Maker shall pay to Payee an amount equal to the interest allocable to Note payments otherwise due hereunder. Upon Payee's compliance with the provisions of Exhibit "C" and Lender's resumption of disbursement of funds, Maker shall resume monthly Note payments as set forth in paragraph 2 of this Promissory Note. Upon attainment of the total Tenant Improvement and Leasing Commissions Reserve required by Lender under the provisions of the Lock Box Agreement set forth in Exhibit "C", Maker shall commence making additional monthly payments to Payee of Four Thousand Five Hundred Seventy Eight and no/100 Dollars ($4,578) until such time as the amount of suspended Note payments have been paid in full. The provisions of this paragraph 3 shall not apply, and Note payments shall not be suspended, in the event of a Cash Sweep resulting from Subsidiary's failure to comply with any of the provisions of Exhibit "C".

4. Both principal and interest shall be payable to Payee at 14282 Franklin Avenue, Tustin, CA 92780, or at any other place hereafter designated in writing by the holder(s) and delivered to Maker. All sums shall be deemed paid upon receipt of same by the holder(s) hereof.

5. This Promissory Note is secured by that certain Pledge and Security Agreement ("Pledge Agreement") of even date herewith executed by all of the members of Maker.

6. Payments on this Promissory Note shall be applied first to payment of any late charges, second to payment of accrued interest and third to the outstanding principal. If any installment payment on this Promissory Note is not paid within five (5) days of when due, Maker shall pay to the holder hereof an amount equal to six percent (6%) of such overdue installment, plus interest at the rate equal to the Bank of America prime (reference) rate plus two percent (2%) (which amounts are together called the "Late Charge").

7. Maker shall have the right to prepay all or any portion of the indebtedness evidenced by this Promissory Note at any time without premium or penalty.

8. Subject in all events to the provisions of Section 9 hereof, (i) if Maker fails to pay in full any monthly installment of principal and interest or any other sums required to be paid pursuant to this Promissory Note within five (5) days of the due date, or (ii) if any of Maker's members default in the performance or observance of any covenant or condition contained in the Pledge Agreement and such default is not cured within thirty (30) days after receipt of written notice of such default, or (iii) if, pursuant to that certain lease ("Lease") dated as of December ___, 1998 between Subsidiary, as landlord, and Payee, as tenant, with respect to certain real property and improvements located in Tustin, CA, particularly described in the Lease ("Premises"), Payee, or the then tenant under the Lease, is required to purchase the Premises from Subsidiary in accordance with the terms of the Lease, or (iv) if the Lease terminates because of a default on the part of Subsidiary, or (v) if the first trust deed against the Premises is foreclosed upon by the mortgage holder because of a default by Subsidiary, unless such foreclosure is caused by the failure of Payee (or the then tenant under the Lease) to pay any sum due under the Lease, or (vi) if there is a violation of Maker's operating agreement which is materially adverse to Payee, then and in any of such events, the holder of this Promissory Note may, without further notice, immediately declare to be due and payable the entire outstanding indebtedness evidenced by this Promissory Note.

9. Notwithstanding any provisions of this Promissory Note to the contrary, the performance of Maker's obligations pursuant to this Promissory Note are conditioned upon Payee, as tenant under the Lease, timely tendering to Subsidiary all rent, charges and monetary obligations under the Lease ("Lease Payments") as and when the same become due and payable in accordance with the terms of the Lease. In the event that Payee is late in tendering any Lease Payment to Subsidiary, then the applicable due date for Maker's performance of any of Maker's obligations under this Promissory Note shall automatically be extended for the same period of time that Payee was delinquent in the payment of such Lease Payment. Further, in the event that the Lease is terminated pursuant to Section 10 of the Lease due to a default on the part of Payee as tenant thereunder, then, in such event, this Promissory Note shall be deemed to be immediately satisfied in full and Maker shall have no further obligation to Payee hereunder.

10. The payment obligations of Maker under this Promissory Note may not be assigned without the consent of Payee, which such consent shall not be unreasonably withheld.

11. Subject to the provisions of Section 9 above, this Promissory Note shall be binding Maker and its successors and assigns.

TNCA HOLDING LLC,
a Delaware limited liability company

By: C. Frederick Wehba II 1998 Trust, Manager

By: /S/ CHAD W. WEHBA

Chad W. Wehba, Trustee

EXHIBIT "A"

WILMINGTON TRUST ESCROW AGREEMENT

ESCROW AGREEMENT

THIS AGREEMENT (the "Escrow Agreement"), is made as of this _____ day of December 1998, by and among, TNCA, LLC a Delaware limited liability company as "Purchaser," TECHNICLONE CORPORATION, a Delaware corporation, as "Seller", and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as "Escrow Agent".

WHEREAS, Purchaser is acquiring certain real property from Seller located at 14272 and 14282 Franklin Avenue, Tustin, California (the "Property"); and

WHEREAS, Purchaser has delivered to Seller a promissory note ("Note") issued by TNCA Holding, LLC, a Delaware limited liability company, in the amount of One Million Nine Hundred Twenty Five Thousand Dollars ($1,925,000) in connection with its acquisition of the Property, a true and correct copy of which is attached hereto as Exhibit "1."

WHEREAS, the monthly amount due Seller on the Note for the period January 1999 through December 2001 is Fourteen Thousand Nine Hundred Twenty Four and 50/100 Dollars ($14,924.50).

WHEREAS, the monthly amount due Seller on the Note for the period January, 2002 until paid in full is Fifteen Thousand Four Hundred Forty and 83/100 Dollars ($15,440.83).

NOW, THEREFORE, in consideration of the premises, and further consideration of the covenants set forth hereafter, it is hereby agreed mutually as follows:

I. DESIGNATION AS ESCROW AGENT.

Subject to the terms and conditions hereof, Purchaser and Seller hereby appoint Wilmington Trust Company as Escrow Agent and Wilmington Trust Company hereby accepts such appointment.

II. DEPOSIT OF ESCROW FUNDS.

(a) Upon execution of this Escrow Agreement, Purchaser shall deposit the sum of One Hundred Dollars ($100.00) into an account (the "Escrow Account") established with Escrow Agent. In addition to such initial deposit, Escrow Agent shall receive a monthly amount from Finova Realty Capital, Inc., a Delaware corporation ("FCR") for immediate deposit into the Escrow Account. At all times from and effect the date of this Agreement, Purchaser shall be the sole owner of the Escrow Account.

(b) Escrow Agent will hold the initial deposit and all subsequent deposits from FRC in the Escrow Account, together with all investments thereof and all interest accumulated thereon and proceeds therefrom, in escrow upon the terms and conditions set forth in this Escrow Agreement and shall not disburse funds from the Escrow Account except as provided herein.

(c) Unless otherwise directed by Purchaser, Escrow Agent shall invest the Escrow Account solely in securities issued or guaranteed by the United States or an agency thereof, or in securities of mutual funds the assets of which are invested in securities issued or guaranteed by the United States or an agency thereof, or in repurchase agreements involving securities issued or guaranteed by the United States or an agency thereof, or in certificates of deposit issued by banks.

III. DISBURSEMENT OF ESCROW ACCOUNT. Escrow Agent will make the following disbursements to Purchaser and Seller on the first business day of each month or as soon thereafter as possible (the "Disbursement Date").

(a) To Seller, provided Escrow Agent holds, on the date which is five (5) business days preceding the Disbursement Date, funds sufficient to fully satisfy such disbursement, the sum of Fourteen Thousand Nine Hundred Twenty Four and 50/100 Dollars ($14,924.50) for the period January 1999 through December 2001, and the sum of Fifteen Thousand Four Hundred Forty and 83/100 Dollars ($15,440.83) for the period January 2002 until the Note is fully paid.

(b) To Purchaser, the amount remaining in the Escrow Account after the payment to Seller as set forth above; provided, however, that Escrow Agent may retain a sufficient amount in the Escrow Account in order to keep the account open.

(c) Upon written instruction of Purchaser, Escrow Agent shall commence making additional monthly payments to Seller of Four Thousand Five Hundred Seventy Eight and no/100 Dollars ($4,578) (the "Additional Monthly Payment") until such time as Escrow Agent is directed by Purchaser in writing to cease making the Additional Monthly Payment.

IV. AUTHORITY OF ESCROW AGENT AND LIMITATION OF LIABILITY.

(a) In acting hereunder, Escrow Agent shall have only such duties as are specified herein and no implied duties shall be read into this Agreement, and Escrow Agent shall not be liable for any act done or omitted to be done, by it in the absence of its gross negligence or willful misconduct.

(b) Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, and may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument and may assume that any person purporting to give any writing, notice, advice or instruction in connection with the provisions hereof has been duly authorized so to do.

(c) Escrow Agent shall be entitled to consult with legal counsel in the event that a question or dispute arises with regard to the construction of any of the provisions hereof, and shall incur no liability and shall be fully protected in acting in accordance with the advice or opinion of such counsel.

(d) Escrow Agent shall not be required to use its own funds in the performance of any of its obligations or duties or the exercise of any of its rights or powers, and shall not be required to take any action which, in Escrow Agent's sole and absolute judgment, could involve it in expense or liability unless furnished with security and indemnity which it deems, in its sole and absolute discretion, to be satisfactory.

(e) Seller shall pay to Escrow Agent compensation for its services hereunder to be determined from time to time by the application of the current rates than charged by Escrow Agent for accounts of similar size and character, with a minimum rate of Twenty Five Hundred Dollars ($2,500.00) per annum. Seller shall also pay to Escrow Agent an initial set up fee of Three Thousand Dollars ($3,000.00). In the event Escrow Agent renders any extraordinary services in connection with the escrow account at the written request of both parties, Escrow Agent shall be entitled to additional compensation therefor. Escrow Agent shall have a first lien against the Escrow Account to secure the obligations or Purchaser and Seller hereunder. The terms of this paragraph shall survive termination of this Agreement.

(f) Purchaser and Seller hereby agree, jointly and severally, to indemnify Escrow Agent and hold it harmless from any and against all liabilities, loses, actions, suits or proceedings at law or in equity, and any other expenses, fees or charges of any character or nature, including, without limitation, attorney's fees and expenses, which Escrow Agent may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement or arising out of the existence of the Escrow Account, except to the extent the same shall be caused by Escrow Agent's gross negligence or willful misconduct. Escrow Agent shall have a first lien against the Escrow Account to secure the obligations of the parties hereunder. The terms of this paragraph shall survive termination of this Agreement.

(g) In the event Escrow Agent receives conflicting instructions hereunder, Escrow Agent shall be fully protected in refraining from acting until such conflict is resolved to the satisfaction of Escrow Agent. In addition, Escrow Agent shall have the right to institute a bill of interpleader in any court of competent jurisdiction to determine the rights of the parties, and the parties shall pay all costs, expenses and disbursements in connection therewith, including attorney's fees. For purposes of this Escrow Agreement, the parties hereto agree to submit to the jurisdiction of the courts of the State of Delaware.

(h) Escrow Agent may resign as Escrow Agent, and, upon its resignation, shall thereupon be discharged from any and shall further duties and obligations under this Agreement by giving notice in writing of such resignation to Purchaser and Seller, which notice shall specify a date upon which such resignation shall take effect. Upon the resignation of Escrow Agent, Purchaser and Seller shall, within sixty (60) business days after receiving the foregoing notice from Escrow Agent, designate a substitute escrow agent (the "Substitute Escrow Agent"), which Substitute Escrow Agent shall, upon its designation and notice of such designation to Escrow Agent, succeed to all of the rights, duties and obligations of Escrow Agent hereunder.

IV. NOTICES.

Except as otherwise provided herein, any notices, instruction or instrument to be delivered hereunder shall be in writing and shall be sent by certified or registered mail, postage prepaid, return receipt requested, or sent by facsimile, nationally-recognized overnight courier addressed to the parties or delivered by hand to the addresses forth on the signature page hereof or at such other address specified in writing by the addressee. Notices shall be deemed communicated upon the earlier of receipt or seventy-two (72) hours from the time of mailing as provided in this Article IV, and on the business day or first business day following transmission if given by facsimile.

V. AMENDMENT.

This Escrow Agreement may not be amended, modified, supplemented or otherwise altered except by an instrument in writing signed by the parties hereto.

VI. TERMINATION.

This Agreement will terminate upon the disbursement of all funds in the Escrow Account, as provided above, by the Escrow Agent.

VII. GOVERNING LAW.

This is a Delaware contract and shall be governed by Delaware law in all respects.

VIII. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute and be one and the same instrument.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused their names to be hereto subscribed by their respective authorized representatives as of the day and year first above written.

TNCA, LLC
as Purchaser

By: _____
C. Frederick Wehba II, President
TNCA, INC./ Manager

Address:
1900 Avenue of the Stars, Suite 2840
Los Angeles, CA 90067
Fax No.: (310) 282-8585
Tel No.: (310) 282-8000
Attention: C. Frederick Wehba II

WILMINGTON TRUST COMPANY,
Escrow Agent

By: _____
Title:

Address:
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Fax No.: (302) 651 - 1576
Tel No.: (302) 651 - 1834
Attention: W. Chris Sponenberg

TECHNICLONE CORPORATION
as Seller

By:_____
Steven C. Burke, CFO

Address:
14282 Franklin Avenue
Tustin, CA 92780
Fax No.: (714) 838-9433
Tel No.: (714) 508-6000

EXHIBIT "B"

LEGAL DESCRIPTION

Parcel A:

Parcels 2 and 3 of parcel map 95-115, in the city of Tustin, County of Orange, State of California, as per map recorded in book 290 page(s) 3 through 5 inclusive of Miscellaneous maps, in the office of the County Recorder of said County.

Excepting therefrom all oil, oil rights, minerals, mineral rights, natural gas rights, and other hydrocarbons by whatsoever name known that may be within or under the parcel of land hereinabove described, together with the perpetual rights of drilling, mining, exploring and operating therefor, and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from land other than those hereinabove described, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land hereinabove described, and to bottom such whipstocked or directionally thereof, and to redrill retunnel, equip, maintain, repair, deepen and operate any wells or mines, without, however, the right to drill, mine, store, explore and operate through the surface of the upper 500 feet of the subsurface of the land hereinabove described, as reserved in deeds or record.

Parcel B:

Easements for access, ingress, egress and parking over parcel A of parcel map recorded in book 290 , pages 3, 4 and 5 of parcel maps as set forth in that certain declaration of restrictions entitled "Franklin Court" and recorded January 9, 1996 as instrument No. 96-0012567 and re-recorded April 30, 1996 as instrument No. 96-214962 both of official records.

EXHIBIT "C"

LOCK BOX AGREEMENT CASH SWEEP PROVISION

Lender shall not cash sweep the Loan for so long as (i) Borrow submits all of the reports required under Section 3.12 of the Security Instrument; (ii) there are no reports from Techniclone's auditors or SEC publications which state that Techniclone has discontinued operations; (iii) on or before January 6, 2000, Techniclone provides to Lender internal, unaudited cash flow projections with notes prepared by it's Chief Financial Officer or equivalent reflecting that Techniclone has adequate sources of cash flow for continued operations for the succeeding twelve (12) month period; (iv) on or before January 6, 2001, Techniclone provides to Lender internal, unaudited cash flow projections with notes prepared by it's Chief Financial Officer or equivalent reflecting that Techniclone has adequate sources of cash flow for continued operations for the succeeding twelve (12) month period. In the event of an occurrence of (ii) above, or the failure by Borrower to provide (i), (iii) or (iv) above, then Lender shall sweep the lock box until such time as the Tenant Improvement and Leasing Commission Reserve shall reach the sum of Eight Hundred Fifty Thousand and no/100 Dollars ($850,000). Lender shall resume disbursement of funds to Borrower upon (x) submittal of the reports required under Section 3.12, or (y) Techniclone furnishes an unaudited cash flow projection, as referred to above, reflecting that it has adequate sources of cash flow for continued operations for a succeeding twelve (12) month period, respectively. Upon Lender's resumption of disbursement of funds to the Borrower, the Tenant Improvement and Leasing Commission Reserve shall be governed by the Reserve and Security Agreement. For example, if upon Lender's resumption of disbursement of funds, the Tenant Improvement and Leasing Commission Reserve shall contain $500,000, Borrower shall deposit the TI & LC Reserve Monthly Deposit (as defined in the Reserve and Security Agreement) until the Tenant Improvements and Leasing Commission Reserve shall reach $650,000. If, however, upon Lender's resumption of disbursement of funds, the Tenant Improvements and Leasing Commission Reserve shall contain $750,000, Borrower need no longer deposit the TI & LC Reserve Monthly Deposit into such reserve account. Notwithstanding the foregoing, Lender shall not resume disbursements under any circumstances if the Borrower is in default under any of the Loan Documents, which default shall take into account notice and opportunity to cure if and to the extent provided in the Loan Documents.

EXHIBIT 10.50

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT ("Agreement") dated as of December 24, 1998 is between C. FREDERICK WEHBA II, CHAD W. WEHBA, CHRISTIAN F. WEHBA, CYLE F. WEHBA 1998 TRUST, GFW TRUST, AND TPF TRUST III (each, a "Grantor", and collectively, "Grantors"), and TECHNICLONE CORPORATION, a Delaware corporation ("Secured Party").

W I T N E S S E T H:
- - - - - - - - - - -

A. TNCA Holding, LLC, a Delaware limited liability company ("Debtor") is the maker of that certain Promissory Note dated December ___, 1998 in the original principal amount of One Million Nine Hundred Twenty Five Thousand Dollars ($1,925,000) made payable to Secured Party ("Note"). A true and correct copy of the Note is attached hereto as Exhibit "A".

B. Grantors are all of the members of Debtor and are the owners of all of the membership interests in Debtor ("Debtor Membership Interests").

C. Debtor is the sole member of, and the owner of all of the membership interests in, TNCA, LLC, a Delaware limited liability company ("Subsidiary"). Grantors, therefore, have a direct beneficial interest in Subsidiary ("Subsidiary Beneficial Interests").

D. Secured Party, as tenant, has contracted with Subsidiary, as landlord, to lease certain improved property (the "Property") pursuant to the terms of a Lease and Agreement of Lease of even date herewith (the "Lease").

E. C. Frederick Wehba II 1998 Trust is the designated manager of Debtor ("Manager") pursuant to the terms of the Operating Agreement of TNCA Holding, LLC, dated August 13, 1998 (the "Operating Agreement").

F. Grantors desire to pledge and assign their respective Debtor Membership Interests to Secured Party and grant to Secured Party a first priority lien and security interest in and to said Debtor Membership Interests to secure the indebtedness and obligations of Debtor to Secured Party under the Note.

G. To evidence the pledge, assignment and grant of a security interest in the Debtor Membership Interests to Secured Party, Grantors have agreed to execute this Agreement and the financing statements in connection herewith.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantors and Secured Party agree as follows:

1. COLLATERAL AND SECURITY INTEREST. Each Grantor hereby pledges and assigns such Grantor's respective Debtor Membership Interest to Secured Party, together with all income, profits, distributions, capital surplus, return of capital, management rights, if any, or other tangible or intangible property related to or derived from such Debtor Membership Interest, and grants to Secured Party a first priority lien and security interest therein and such other rights and remedies as may be granted to a secured party under the laws of the State of California ("Security Interest") in and to all of such Grantor's rights, title and interest in such Grantor's Debtor Membership Interest and all proceeds thereof ("Collateral").

2. SECURITY INTEREST. The Security Interest is a pledge and security interest in and to the Collateral pursuant to the provisions of Article 9 of the California Commercial Code. The Collateral secures the payment of the Note in accordance with its terms. Grantors shall execute any and all documents, instruments and financing statements as deemed necessary by Secured Party, acting reasonably, to effectuate this Agreement. Any certificates representing the Debtor Membership Interests shall be delivered to and held by Secured Party pursuant to this Agreement and shall be accompanied by duly executed instruments of transfer or assignments which shall be held in escrow by Old Republic Title Company, all in form and substance satisfactory to Secured Party.

3. IRREVOCABLE INSTRUCTIONS TO LENDER AND ESCROW AGENT. Grantors, who hold all of the membership interests in Debtor and all of the beneficial interests in Subsidiary, and Manager, will cause Subsidiary to irrevocably instruct Finova Realty Capital, Inc. ("Lender") to apply all payments of basic rent received from Secured Party under that certain lease dated as of December ___, 1998 between Subsidiary, as landlord, and Secured Party, as Tenant, in the following manner: (a) first, to Lender's mortgage loan on the leased premises, and (b) then to an escrow account ("Escrow Account") at Wilmington Trust Company, a Delaware banking corporation ("Escrow Agent"), in Subsidiary's name. A true and correct copy of such irrevocable instructions to Lender is attached and incorporated hereto as Exhibit "B." Grantors will further cause Subsidiary to irrevocably instruct Escrow Agent to apply all Escrow Account proceeds first to monthly payments due Secured Party under the Note and for so long as this Agreement is in effect Grantors shall not revoke or attempt to revoke or modify, or permit Subsidiary to revoke or attempt to revoke or modify, such instructions until the Note is canceled or paid in full. Any excess remaining in the account after all monthly Note payments have been made in full may be released as directed by Subsidiary. A true and correct copy of such irrevocable instructions to Escrow Agent is attached and incorporated hereto as Exhibit "C." Grantors represent that they have the authority to make such irrevocable instructions to Escrow Agent and that no other consents are required under the Operating Agreement to effectuate such instructions.

4. REPRESENTATIONS AND WARRANTIES. Grantors represent and warrant that (a) the Debtor Membership Interests represent all of the Grantors' respective right, title and interest in the Debtor; (b) Debtor is the sole member of and the owner of all the membership interests in Subsidiary; (c) this Agreement constitutes the valid and binding obligation of Grantors, enforceable in accordance with its terms; (d) Grantors will receive a material direct financial benefit as a result of Secured Party's acceptance of the Note for the obligation evidenced therein and Grantors have received good and sufficient consideration for the granting of the Security Interest; (e) the execution, delivery and performance of this Agreement by Grantors does not constitute a breach of any agreement of Grantors as members of Debtor, including without limitation, the Operating Agreement or a breach by Debtor or Subsidiary of any agreement concerning this transaction to which they are parties; (f) the Collateral and Grantors' principal place of business are located at 1900 Avenue of the Stars, Suite 2840, Los Angeles, California 90067; (g) Grantors are the lawful owners of the Debtor Membership Interests free and clear of any pledge, assignment, lien or security interest (other than those in favor of Secured Party), and Grantors shall indemnify and defend Secured Party and Secured Party's title to the same against the claims and demands of all persons; (h) Grantors have not signed any financing statement, pledge or security agreement which is currently in effect and covers any of the Collateral nor will Grantors further encumber the Collateral or cause Subsidiary to further encumber the Collateral or the Property in excess of 75% of appraised value as long as the Note is outstanding; (i) Grantors will not cause Subsidiary to incur any monthly debt service and financing reserve account payments in conjunction with the monthly amount of acquisition note payment to exceed the monthly rent required to be paid by the Secured Party under the Lease; and (ii) Grantors will not voluntarily file a petition under the Federal Bankruptcy Act, or under any similar or successor federal statute relating to bankruptcy or insolvency as long as the Note is outstanding. Grantors covenant that Grantors will not do any of the following without the prior written consent of the Secured Party: (w) pledge, assign, grant or otherwise transfer or encumber the Debtor Membership Interests in any manner whatsoever, by operation of law or otherwise; (x) cause or permit the Debtor to issue additional membership interest in Debtor; (y) cause or permit the Subsidiary to amend the Subsidiary's Operating Agreement in a manner that will impair the Debtor's rights as the sole member of the Subsidiary; or (z) cause or permit the Subisdiary to issue andditonal membership interests in the Subsidiary.

5. DEFAULT AND REMEDIES UPON DEFAULT.

(a) Any one or more of the following shall be deemed an "Event of Default" under this Agreement: (i) a default occurs under the Note; (ii) Grantors default under this Agreement; (iii) the Debtor distributes any of its assets by reason of sale, reorganization, liquidation or dissolution without the written consent of Secured Party; (iv) the Debtor sells a substantial portion or a bulk sale of its assets without the written consent of Secured Party; (v) an execution is issued upon the Collateral or any of the assets of the Debtor; (vi) a receiver is appointed to take charge of any of the Grantors' or the Debtor's property; (vii) Debtor ceases to exist or becomes a party to any merger or consolidation without the written consent of Secured Party; or (viii) any of the representations or warranties made herein are, in any manner, false or misleading in any material respect as and when made.

(b) Upon the occurrence of an Event of Default, Secured Party shall be entitled to exercise all of the rights and remedies available to a secured party under the California Commercial Code and all of the rights and remedies available to it under the Note, including, without limitation, the right, following legal process (i) to vote the Debtor Membership Interests and receive any distributions of cash or other property made by the Debtor and otherwise take any action permitted to be taken as a result of owning the Debtor Membership Interests, (ii) to enter upon the premises of Debtor and take possession of the Collateral and the books and records of Debtor relating to the Collateral and the Debtor, (iii) to require Debtor to assemble and deliver the Collateral to Secured Party and/or (iv) to sell, transfer, endorse, assign and/or deliver the whole or, from time to time, any part of the Collateral at public or private sale, for cash, upon credit or for other property, for immediate or future delivery, for such prices and on such terms as Secured Party in its sole discretion shall deem appropriate.

(c) Secured Party shall give Grantors written notice, within the meaning of Article 9 of the California Commercial Code, of Secured Party's intention to sell the Collateral at a public or private sale. Secured Party shall not be obligated to sell the Collateral even if notice of the sale of the Collateral has been given. At any sale made pursuant to this Section 4, Secured Party may bid for or purchase, free from any right of redemption after any such sale, stay and appraisal on the part of Grantors (to the extent permitted by law), all said rights being hereby waived and released to the extent permitted by law, all or any portion of the Collateral offered for sale and may make payment on account thereof by using the obligations under the Note, or any portion thereof, then due and payable as a credit against the purchase price, and Secured Party may, upon compliance with the terms of the sale, hold, retain and dispose of the Collateral without further accountability to Grantors therefor.

(d) Upon the occurrence of an Event of Default, or in the event that a petition is filed by or against Grantors or the Debtor under any provision of Title 11 of the United States Code (the "Bankruptcy Code"), or in the event there is any entry of an order for relief respecting either Grantors or the Debtor, or in the event of the appointment of a receiver, trustee or custodian for either Grantors or the Debtor, or in the event either Grantors or the Debtor becomes a debtor in possession, which actions in and of themselves do not constitute a default pursuant to the provisions of the Bankruptcy Code, Grantor's successors in interest, or any other party succeeding to Grantor's interest, shall not under any circumstances sell or in any way dispose of the Collateral without the prior written consent of Secured Party which may demand (i) the immediate return of the Collateral in the possession of Grantors or their successors in interest or (ii) an immediate cash payment of all of the unpaid obligations under the Note. The option to accept the return of the Collateral and proceeds shall in no way relieve Debtor or its successors in interest of any deficiency respecting the obligations under the Note. Grantors agree to pay to Secured Party and be liable for all reasonable costs, expenses, charges and attorneys' fees (if and to the extent permitted by law) incurred by Secured Party to enforce this Agreement.

6. CUMULATIVE REMEDIES; POWER OF ATTORNEY. All of Secured Party's rights and remedies with respect to the Collateral, whether established pursuant to this Agreement, the Note or at law or in equity, shall be cumulative and may be exercised singularly or concurrently. Grantors hereby authorize Secured Party to make, constitute and appoint any officer or agent of Secured Party as Grantor's true and lawful attorney-in-fact, with power, upon the occurrence of an Event of Default, to (a) endorse Grantor's name on all documents, papers and instruments necessary or desirable for Secured Party to vote the Debtor Membership Interests or use the Collateral, (b) take any other actions with respect to the Collateral that Secured Party deems appropriate, (c) assign, pledge, convey or otherwise transfer title to or dispose of any of the Collateral, and (d) execute and file appropriate UCC financing statements with respect to the Debtor Membership Interests, and renewals of such financing statements. This power of attorney is coupled with an interest and shall be irrevocable unless and until the obligations under the Note have been paid in full.

7. APPLICABLE LAWS. This Agreement shall be governed by the laws of the State of California. Any provision in this Agreement prohibited, in whole or in part, by any applicable law shall be enforced to the fullest extent permitted by applicable law, without modifying or affecting the remaining provisions of this Agreement; provided, however, that if the conflicting provisions of any applicable law may be waived, they are hereby waived by Grantors to the fullest extent permitted by applicable law. Except as otherwise provided herein, Grantors waives (a) all statutory or other requirements for any notice of any kind, (b) requirements as to the time, place and terms of any sale of the Collateral, (c) requirements with respect to the enforcement of Secured Party's rights and/or remedies hereunder and (d) all rights of redemption respecting the Collateral or otherwise.

8. TERM OF AGREEMENT. This Agreement shall become effective upon the date hereof and shall continue in full force and effect until all of the obligations under the Note are fully paid, satisfied and performed, in which event Secured Party shall, upon request of Grantors, return the certificates, if any, evidencing the Debtor Membership Interests and execute and deliver termination statements to Grantors for filing in each office in which a financing statement has been filed by Secured Party with respect to the Security Interest or as may be necessary or required to release the Security Interest, all at the cost and expense of Grantors.

9. NOTICES. Any notices pursuant to this Agreement shall be given in writing and delivered personally or sent by United States certified mail, return receipt requested, with postage prepaid, and such notices shall be effective on the date personally delivered or, if mailed, two (2) postal delivery days after deposit in the United States mail addressed to Grantors at 1900 Avenue of the Stars, Suite 2840, Los Angeles, California 90067, and to Secured Party at Techniclone Corporation, 14282 Franklin Avenue, Tustin, CA 92780. Each party hereto may change such party's notice address by providing written notice to the other in compliance with this Section 8.

10. MISCELLANEOUS. This Agreement shall be binding upon Grantors, their respective successors and assigns, and shall inure to the benefit of Secured Party, its successors and assigns. Any amendments to this Agreement must be in writing and executed by authorized representatives of each party hereto. Unless the context of this Agreement otherwise requires, references to the plural include the singular and the singular the plural.

11. CONSENT. Each Grantor hereby consents to the grant, pledge and assignment of the Debtor Membership Interests and the Collateral and waives any and all rights of subrogation or contribution against Debtor under the Note until all the obligations thereunder are paid in full.

12. ATTORNEYS' FEES. In the event an action shall be brought for the enforcement of any right set forth herein, the non-prevailing party shall be liable for all of the reasonable expenses incurred in connection therewith, including without limitation, reasonable attorneys' fees.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Grantors and Secured Party have caused this Agreement to be executed as of the date set forth above.

GRANTORS:

/S/ C. FREDERICK WEHBA II

C. Frederick Wehba II

/S/ CHAD W. WEHBA

Chad W. Wehba

/S/ CHRISTIAN F. WEHBA

Christian F. Wehba

/S/ C. FREDERICK WEHBA II

C. Frederick Wehba II, Trustee
GFW Trust

/S/ C. FREDERICK WEHBA II

C. Frederick Wehba II, Trustee
Cyle F. Wehba 1998 Trust

/S/ ROBERT P. O'LEARY

Robert P. O'Leary
Trustee of the TPF Trust III

SECURED PARTY:

TECHNICLONE CORPORATION,
a Delaware corporation

By: /S/ STEVEN C. BURKE

EXHIBIT "A"

PROMISSORY NOTE

(filed as Exhibit 10.49 to the Quarterly Report on Form 10-Q for the quarter ended January 31, 1999 and incorporated herein by this reference)

EXHIBIT "B"

LENDER PAYMENT DIRECTION LETTER

TNCA, LLC,
a Delaware limited liability company
1900 Avenue of the Stars, Suite 2840
Los Angeles, CA 90067

C. FREDERICK WEHBA II
PRESIDENT

Via Facsimile and UPS Next Day Air

December 11, 1998

Finova Realty Capital, Inc.
19900 MacArthur Boulevard
Suite 1100
Irvine, CA 92612

RE: 14272 AND 14282 FRANKLIN AVENUE, TUSTIN, CA

Ladies and Gentlemen:

Finova Realty Capital, Inc. is hereby irrevocably instructed to apply all monies received from or on behalf of Techniclone Corporation, a Delaware corporation ("Techniclone"), in respect of Basic Rent due under that certain Lease and Agreement of Lease dated as of December ___ , 1998 between Techniclone, as Tenant, and TNCA, LLC, a Delaware limited liability company ("TNCA"), as Landlord, in the following and in no other manner:

(1) First, to the monthly loan amount due from TNCA under the Promissory Note, the Real Estate Tax Escrow Fund, the Tenant Improvement and Leasing Commissions Reserve, and the Replacement Reserve dated December ___ , 1998 by and between TNCA, as Borrower, and Finova Realty Capital, Inc., as Lender, executed in connection with TNCA's acquisition of the above referenced property.

(2) Next, to the escrow account established in TNCA's name at Wilmington Trust Company, a Delaware banking corporation, 1100 N. Market Street, Wilmington, DE 19890 (TNCA Escrow Account, Account Number 46911-0).

Sincerely,

C. Frederick Wehba II
President, TNCA, Inc.
Manager

ACCEPTED AND AGREED:

FINOVA REALTY CAPITAL, INC.

By:_____
Name/Title

EXHIBIT "C"

WILMINGTON TRUST ESCROW AGREEMENT

THIS AGREEMENT (the "Escrow Agreement"), is made as of this ___day of December 1998, by and among, TNCA, LLC a Delaware limited liability company as "Purchaser," TECHNICLONE CORPORATION, a Delaware corporation, as "Seller", and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as "Escrow Agent".

WHEREAS, Purchaser is acquiring certain real property from Seller located at 14272 and 14282 Franklin Avenue, Tustin, California (the "Property"); and

WHEREAS, Purchaser has delivered to Seller a promissory note ("Note") issued by TNCA Holding, LLC, a Delaware limited liability company, in the amount of One Million Nine Hundred Twenty Five Thousand Dollars ($1,925,000) in connection with its acquisition of the Property, a true and correct copy of which is attached hereto as Exhibit "1."

WHEREAS, the monthly amount due Seller on the Note for the period January 1999 through December 2001 is Fourteen Thousand Nine Hundred Twenty Four and 50/100 Dollars ($14,924.50).

WHEREAS, the monthly amount due Seller on the Note for the period January, 2002 until paid in full is Fifteen Thousand Four Hundred Forty and 83/100 Dollars ($15,440.83).

NOW, THEREFORE, in consideration of the premises, and further consideration of the covenants set forth hereafter, it is hereby agreed mutually as follows:

I. DESIGNATION AS ESCROW AGENT.

Subject to the terms and conditions hereof, Purchaser and Seller hereby appoint Wilmington Trust Company as Escrow Agent and Wilmington Trust Company hereby accepts such appointment.

II. DEPOSIT OF ESCROW FUNDS.

(a) Upon execution of this Escrow Agreement, Purchaser shall deposit the sum of One Hundred Dollars ($100.00) into an account (the "Escrow Account") established with Escrow Agent. In addition to such initial deposit, Escrow Agent shall receive a monthly amount from Finova Realty Capital, Inc., a Delaware corporation ("FCR") for immediate deposit into the Escrow Account. At all times from and effect the date of this Agreement, Purchaser shall be the sole owner of the Escrow Account.

(b) Escrow Agent will hold the initial deposit and all subsequent deposits from FRC in the Escrow Account, together with all investments thereof and all interest accumulated thereon and proceeds therefrom, in escrow upon the terms and conditions set forth in this Escrow Agreement and shall not disburse funds from the Escrow Account except as provided herein.

(c) Unless otherwise directed by Purchaser, Escrow Agent shall invest the Escrow Account solely in securities issued or guaranteed by the United States or an agency thereof, or in securities of mutual funds the assets of which are invested in securities issued or guaranteed by the United States or an agency thereof, or in repurchase agreements involving securities issued or guaranteed by the United States or an agency thereof, or in certificates of deposit issued by banks.

III. DISBURSEMENT OF ESCROW ACCOUNT. Escrow Agent will make the following disbursements to Purchaser and Seller on the first business day of each month or as soon thereafter as possible (the "Disbursement Date").

(a) To Seller, provided Escrow Agent holds, on the date which is five (5) business days preceding the Disbursement Date, funds sufficient to fully satisfy such disbursement, the sum of Fourteen Thousand Nine Hundred Twenty Four and 50/100 Dollars ($14,924.50) for the period January 1999 through December 2001, and the sum of Fifteen Thousand Four Hundred Forty and 83/100 Dollars ($15,440.83) for the period January 2002 until the Note is fully paid.

(b) To Purchaser, the amount remaining in the Escrow Account after the payment to Seller as set forth above; provided, however, that Escrow Agent may retain a sufficient amount in the Escrow Account in order to keep the account open.

(c) Upon written instruction of Purchaser, Escrow Agent shall commence making additional monthly payments to Seller of Four Thousand Five Hundred Seventy Eight and no/100 Dollars ($4,578) (the "Additional Monthly Payment") until such time as Escrow Agent is directed by Purchaser in writing to cease making the Additional Monthly Payment.

IV. AUTHORITY OF ESCROW AGENT AND LIMITATION OF LIABILITY.

(a) In acting hereunder, Escrow Agent shall have only such duties as are specified herein and no implied duties shall be read into this Agreement, and Escrow Agent shall not be liable for any act done or omitted to be done, by it in the absence of its gross negligence or willful misconduct.

(b) Escrow Agent may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine, and may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument and may assume that any person purporting to give any writing, notice, advice or instruction in connection with the provisions hereof has been duly authorized so to do.

(c) Escrow Agent shall be entitled to consult with legal counsel in the event that a question or dispute arises with regard to the construction of any of the provisions hereof, and shall incur no liability and shall be fully protected in acting in accordance with the advice or opinion of such counsel.

(d) Escrow Agent shall not be required to use its own funds in the performance of any of its obligations or duties or the exercise of any of its rights or powers, and shall not be required to take any action which, in Escrow Agent's sole and absolute judgment, could involve it in expense or liability unless furnished with security and indemnity which it deems, in its sole and absolute discretion, to be satisfactory.

(e) Seller shall pay to Escrow Agent compensation for its services hereunder to be determined from time to time by the application of the current rates than charged by Escrow Agent for accounts of similar size and character, with a minimum rate of Twenty Five Hundred Dollars ($2,500.00) per annum. Seller shall also pay to Escrow Agent an initial set up fee of Three Thousand Dollars ($3,000.00). In the event Escrow Agent renders any extraordinary services in connection with the escrow account at the written request of both parties, Escrow Agent shall be entitled to additional compensation therefor. Escrow Agent shall have a first lien against the Escrow Account to secure the obligations or Purchaser and Seller hereunder. The terms of this paragraph shall survive termination of this Agreement.

(f) Purchaser and Seller hereby agree, jointly and severally, to indemnify Escrow Agent and hold it harmless from any and against all liabilities, loses, actions, suits or proceedings at law or in equity, and any other expenses, fees or charges of any character or nature, including, without limitation, attorney's fees and expenses, which Escrow Agent may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement or arising out of the existence of the Escrow Account, except to the extent the same shall be caused by Escrow Agent's gross negligence or willful misconduct. Escrow Agent shall have a first lien against the Escrow Account to secure the obligations of the parties hereunder. The terms of this paragraph shall survive termination of this Agreement.

(g) In the event Escrow Agent receives conflicting instructions hereunder, Escrow Agent shall be fully protected in refraining from acting until such conflict is resolved to the satisfaction of Escrow Agent. In addition, Escrow Agent shall have the right to institute a bill of interpleader in any court of competent jurisdiction to determine the rights of the parties, and the parties shall pay all costs, expenses and disbursements in connection therewith, including attorney's fees. For purposes of this Escrow Agreement, the parties hereto agree to submit to the jurisdiction of the courts of the State of Delaware.

(h) Escrow Agent may resign as Escrow Agent, and, upon its resignation, shall thereupon be discharged from any and shall further duties and obligations under this Agreement by giving notice in writing of such resignation to Purchaser and Seller, which notice shall specify a date upon which such resignation shall take effect. Upon the resignation of Escrow Agent, Purchaser and Seller shall, within sixty (60) business days after receiving the foregoing notice from Escrow Agent, designate a substitute escrow agent (the "Substitute Escrow Agent"), which Substitute Escrow Agent shall, upon its designation and notice of such designation to Escrow Agent, succeed to all of the rights, duties and obligations of Escrow Agent hereunder.

IV. NOTICES.

Except as otherwise provided herein, any notices, instruction or instrument to be delivered hereunder shall be in writing and shall be sent by certified or registered mail, postage prepaid, return receipt requested, or sent by facsimile, nationally-recognized overnight courier addressed to the parties or delivered by hand to the addresses forth on the signature page hereof or at such other address specified in writing by the addressee. Notices shall be deemed communicated upon the earlier of receipt or seventy-two (72) hours from the time of mailing as provided in this Article IV, and on the business day or first business day following transmission if given by facsimile.

V. AMENDMENT.

This Escrow Agreement may not be amended, modified, supplemented or otherwise altered except by an instrument in writing signed by the parties hereto.

VI. TERMINATION.

This Agreement will terminate upon the disbursement of all funds in the Escrow Account, as provided above, by the Escrow Agent.

VII. GOVERNING LAW.

This is a Delaware contract and shall be governed by Delaware law in all respects.

VIII. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute and be one and the same instrument.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused their names to be hereto subscribed by their respective authorized representatives as of the day and year first above written.

TNCA, LLC
as Purchaser

By: _____
C. Frederick Wehba II, President
TNCA, INC./ Manager

Address:
1900 Avenue of the Stars, Suite 2840
Los Angeles, CA 90067
Fax No.: (310) 282-8585
Tel No.: (310) 282-8000
Attention: C. Frederick Wehba II

WILMINGTON TRUST COMPANY,
Escrow Agent

By: _____
Title:

Address:
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890
Fax No.: (302) 651 - 1576
Tel No.: (302) 651 - 1834
Attention: W. Chris Sponenberg

TECHNICLONE CORPORATION
as Seller

By:_____
Steven C. Burke, CFO

Address:
14282 Franklin Avenue
Tustin, CA 92780
Fax No.: (714) 838-9433
Tel No.: (714) 508-6000

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR THE PERIOD ENDED 1/31/99.

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9-MOS	
APR-30-1999	
MAY-01-1998	
JAN-31-1999	
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	120
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