UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended January 31, 2009

OR

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

Commission file number: 0-17085

PEREGRINE PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**95-3698422**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
14282 Franklin Avenue, Tustin, California	**92780-7017**
(Address of principal executive offices)	*(Zip Code)*

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

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

Yes ☒ No o

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

Large Accelerated Filer o	Accelerated Filer ☒
Non- Accelerated Filer o	Smaller reporting company o

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ☒

As of January 31, 2009, there were 226,210,617 shares of common stock, $0.001 par value, outstanding.

PEREGRINE PHARMACEUTICALS, INC.

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The terms "we," "us," "our," "the Company," and "Peregrine," as used in this Report on Form 10-Q refers to Peregrine Pharmaceuticals, Inc. and its wholly owned subsidiary, Avid Bioservices, Inc.

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	JANUARY 31, 2009	APRIL 30, 2008
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,850,000	$ 15,130,000
Trade and other receivables	1,990,000	605,000
Government contract receivables	362,000	-
Inventories, net	5,547,000	2,900,000
Debt issuance costs, current portion	248,000	-
Prepaid expenses and other current assets	685,000	1,208,000
Total current assets	19,682,000	19,843,000
PROPERTY:		
Leasehold improvements	675,000	669,000
Laboratory equipment	4,205,000	4,140,000
Furniture, fixtures and office equipment	901,000	919,000
	5,781,000	5,728,000
Less accumulated depreciation and amortization	(3,982,000)	(3,670,000)
Property, net	1,799,000	2,058,000
OTHER ASSETS:		
Debt issuance costs, less current portion	189,000	-
Other assets	1,156,000	1,156,000
Total other assets	1,345,000	1,156,000
TOTAL ASSETS	$ 22,826,000	$ 23,057,000

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	JANUARY 31, 2009	APRIL 30, 2008
	Unaudited	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,886,000	$ 2,060,000
Accrued clinical trial site fees	744,000	237,000
Accrued legal and accounting fees	247,000	450,000
Accrued royalties and license fees	123,000	222,000
Accrued payroll and related costs	1,010,000	1,084,000
Capital lease obligation, current portion	21,000	22,000
Notes payable, current portion and net of discount	948,000	-
Deferred revenue	4,805,000	2,196,000
Deferred government contract revenue	3,262,000	-
Customer deposits	706,000	838,000
Other current liabilities	459,000	331,000
Total current liabilities	15,211,000	7,440,000
Capital lease obligation, less current portion	6,000	22,000
Notes payable, less current portion and net of discount	3,667,000	-
Other long-term liabilities	150,000	-
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock-$0.001 par value; authorized 5,000,000 shares; non-voting; nil shares outstanding	-	-
Common stock-$0.001 par value; authorized 325,000,000 shares; outstanding – 226,210,617 and 226,210,617, respectively	226,000	226,000
Additional paid-in capital	247,317,000	246,205,000
Accumulated deficit	(243,751,000)	(230,836,000)
Total stockholders' equity	3,792,000	15,595,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 22,826,000	$ 23,057,000

See accompanying notes to condensed consolidated financial statements

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	January 31, 2009	**January 31, 2008**	**January 31, 2009**	**January 31, 2008**
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
REVENUES:				
Contract manufacturing revenue	$ 5,778,000	$ 1,662,000	$ 7,954,000	$ 5,146,000
Government contract revenue	1,048,000	-	2,330,000	-
License revenue	-	13,000	-	46,000
Total revenues	6,826,000	1,675,000	10,284,000	5,192,000
COSTS AND EXPENSES:				
Cost of contract manufacturing	4,106,000	1,289,000	5,672,000	3,872,000
Research and development	4,465,000	4,941,000	12,834,000	13,665,000
Selling, general and administrative	1,489,000	1,847,000	4,722,000	5,498,000
Total costs and expenses	10,060,000	8,077,000	23,228,000	23,035,000
LOSS FROM OPERATIONS	(3,234,000)	(6,402,000)	(12,944,000)	(17,843,000)
OTHER INCOME (EXPENSE):				
Interest and other income	37,000	259,000	165,000	851,000
Interest and other expense	(135,000)	(11,000)	(136,000)	(25,000)
NET LOSS	$ (3,332,000)	$ (6,154,000)	$ (12,915,000)	$ (17,017,000)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic and Diluted	226,210,617	226,210,617	226,210,617	219,497,601
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.01)	$ (0.03)	$ (0.06)	$ (0.08)

See accompanying notes to condensed consolidated financial statements

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED JANUARY 31,	
	2009	**2008**
	Unaudited	*Unaudited*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (12,915,000)	$ (17,017,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	385,000	353,000
Share-based compensation	698,000	627,000
Amortization of expenses paid in shares of common stock	255,000	-
Amortization of discount on notes payable and debt issuance costs	61,000	-
Changes in operating assets and liabilities:		
Trade and other receivables	(1,385,000)	(566,000)
Government contract receivables	(362,000)	-
Inventories, net	(2,647,000)	(478,000)
Prepaid expenses and other current assets	268,000	(135,000)
Accounts payable	826,000	704,000
Accrued clinical trial site fees	507,000	16,000
Accrued payroll and related costs	(74,000)	(16,000)
Deferred revenue	2,609,000	370,000
Deferred government contract revenue	3,262,000	-
Customer deposits	(132,000)	336,000
Other accrued expenses and current liabilities	(24,000)	(197,000)
Net cash used in operating activities	(8,668,000)	(16,003,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Refund of security deposits on notes payable	-	150,000
Property acquisitions	(126,000)	(314,000)
Increase in other assets	-	(410,000)
Net cash used in investing activities	(126,000)	(574,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net of issuance costs of $1,641,000	-	20,932,000
Proceeds from issuance of notes payable, net of issuance costs of $469,000	4,531,000	-
Principal payments on notes payable	-	(323,000)
Principal payments on capital leases	(17,000)	(13,000)
Net cash provided by financing activities	4,514,000	20,596,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,280,000)	4,019,000
CASH AND CASH EQUIVALENTS, beginning of period	15,130,000	16,044,000
CASH AND CASH EQUIVALENTS, end of period	$ 10,850,000	$ 20,063,000
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Applied security deposit on payoff of notes payable to GE Capital	$ -	$ 175,000
Fair market value of warrants issued in connection with notes payable	$ 414,000	$ -

See accompanying notes to condensed consolidated financial statements

1. BASIS OF PRESENTATION

The accompanying interim condensed consolidated financial statements include the accounts of Peregrine Pharmaceuticals, Inc. ("Peregrine"), a clinical stage biopharmaceutical company developing monoclonal antibodies ("MAb") for the treatment of cancer and serious viral infections, and its wholly owned subsidiary, Avid Bioservices, Inc. ("Avid"), a bio-manufacturing company engaged in providing contract manufacturing services for Peregrine and outside customers on a fee-for-service basis (collectively, the "Company"). All intercompany balances and transactions have been eliminated.

In addition, the accompanying interim condensed consolidated financial statements are unaudited; however they contain all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the condensed consolidated financial position of the Company at January 31, 2009, and the condensed consolidated results of our operations and our condensed consolidated cash flows for the three and nine month periods ended January 31, 2009 and 2008. We prepared the condensed consolidated financial statements following the requirements of the Securities and Exchange Commission (or SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles (or GAAP) can be condensed or omitted. Although we believe that the disclosures in the financial statements are adequate to make the information presented herein not misleading, the information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended April 30, 2008. Results of operations for interim periods covered by this quarterly report on Form 10-Q may not necessarily be indicative of results of operations for the full fiscal year.

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

At January 31, 2009, we had $10,850,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect to continue to experience negative cash flows from operations for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2008, 2007 and 2006 amounted to $23,176,000, $20,796,000, and $17,061,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations.

We will need to raise additional capital through one or more methods, including but not limited to, issuing additional equity or debt, in order to support the costs of our research and development programs.

Regarding possible issuance of equity to raise additional capital, as of January 31, 2009, we had 4,851,454 shares available under an existing effective Form S-3 registration statement for possible future registered transactions provided, however, we issue these shares prior to April 12, 2009 (the expiration date of this registration statement). In addition, we filed a separate shelf registration statement on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

With respect to financing our operations through the issuance of debt, on December 9, 2008, we entered into a loan and security agreement pursuant to which we have the ability to borrow up to $10,000,000 ("Loan Agreement"). On December 19, 2008, we received initial funding of $5,000,000, which amount is payable over a thirty-six (36) month term and is secured by generally all assets of the Company as further explained in Note 5. Under the Loan Agreement, we have an option, which expires June 30, 2009, to borrow a second tranche in the amount of $5,000,000 upon the satisfaction of certain clinical and financial conditions as set forth in the Loan Agreement. As of January 31, 2009, we had met the clinical conditions under the Loan Agreement, however, we had not met the required financial conditions. In order for us to meet the financial conditions and receive the second tranche of $5,000,000 under the Loan Agreement (provided we are not otherwise in default of any of our obligations under the Loan Agreement), we must raise at least $7,500,000 in gross proceeds from the issuance of new equity or obtain a defined amount in net proceeds from the potential sale of our wholly owned subsidiary, Avid Bioservices, no later than the expiration of the option.

In addition to the above, we may also raise additional capital though licensing our products or technology platforms or entering into similar collaborative arrangements. In addition to these potential sources of capital, Avid represents an additional asset in our portfolio and although we are not actively pursuing this option, we could continue to pursue strategic initiatives for Avid as a means of potentially raising additional capital.

While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements or from a potential strategic transaction related to Avid to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed contracts with existing customers of Avid, combined with the projected revenues from our government contract, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the second quarter of our fiscal year 2010 ending October 31, 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which could reduce or delay our future projected cash-inflows. In addition, under the Loan Agreement, in the event our contract with the Defense Threat Reduction Agency is terminated or canceled for any reason, we would be required to set aside cash and cash equivalents in an amount equal to 80% of the outstanding loan balance in a restricted collateral account non-accessable by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the second quarter of our fiscal year 2010 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition – We currently derive revenues primarily from contract manufacturing services provided by Avid and from services performed under a government contract awarded to Peregrine through the Transformational Medical Technologies Initiative (TMTI) of the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA) that was signed on June 30, 2008.

We recognize revenues pursuant to the SEC's Staff Accounting Bulletin No. 104 ("SAB No. 104"), *Revenue Recognition*. In accordance with SAB No. 104, revenue is generally realized or realizable and earned when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectibility is reasonably assured.

In addition, we comply with Emerging Issues Task Force ("EITF") Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables*, EITF No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and Accounting Research Bulletin No. 43 Chapter 11, *Government Contracts*.

Revenues associated with contract manufacturing services provided by Avid are generally recognized once the service has been provided and/or upon shipment of the product to the customer. We also record a provision for estimated contract losses, if any, in the period during which they are determined.

Our contract with the DTRA is a "cost-plus-fixed-fee" contract. Reimbursable costs under the contract primarily include direct labor, subcontract costs, materials, equipment, travel, indirect costs, and a fixed fee for our efforts. Revenue under this "cost-plus-fixed-fee" contract is recognized as we perform the underlying research and development activities. However, progress payments associated with contract manufacturing services performed under the DTRA contract are classified as Deferred Government Contract Revenue and are recognized as revenue upon delivery or transfer of legal title of the product to the DTRA.

Allowance for Doubtful Accounts – We continually monitor our allowance for doubtful accounts for all receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables and we estimate an allowance for doubtful accounts based on these factors at that point in time. As of January 31, 2009, based on our analysis of our accounts receivable balances and based on historical collectibility of receivables from our current customers, we determined no allowance for doubtful accounts was necessary.

Inventories – Inventories are stated at the lower of cost or market and primarily include raw materials, direct labor and overhead costs associated with our wholly owned subsidiary, Avid. Inventories consist of the following at January 31, 2009 and April 30, 2008:

	January 31, 2009	April 30, 2008
Raw materials	$ 2,176,000	$ 1,115,000
Work-in-process	3,371,000	1,785,000
Total inventories, net	$ 5,547,000	$ 2,900,000

Comprehensive Loss – Comprehensive loss is equal to net loss for all periods presented.

Reclassification – Certain amounts in the fiscal year 2008 condensed consolidated financial statements have been reclassified to conform to the current year presentation.

Customer Deposits – Customer deposits primarily represent advance billings and/or advance payments received from customers prior to the initiation of contract manufacturing services.

Basic and Dilutive Net Loss Per Common Share – Basic and dilutive net loss per common share are calculated in accordance with Statement of Financial Accounting Standards No. 128, *Earnings per Share*. Basic net loss per common share is computed by dividing our net loss by the weighted average number of common shares outstanding during the period excluding the dilutive effects of options and warrants. Diluted net loss per common share is computed by dividing the net loss by the sum of the weighted average number of common shares outstanding during the period plus the potential dilutive effects of options and warrants outstanding during the period calculated in accordance with the treasury stock method, but are excluded if their effect is anti-dilutive. Because the impact of options and warrants are anti-dilutive during periods of net loss, there was no difference between basic and diluted loss per share amounts for the three and nine months ended January 31, 2009 and 2008.

The calculation of weighted average diluted shares outstanding excludes the dilutive effect of options and warrants to purchase up to 209,136 and 132,286 shares of common stock for the three and nine months ended January 31, 2009, respectively, and 357,542 and 722,641 shares of common stock for the three and nine months ended January 31, 2008, respectively, since the impact of such options and warrants are anti-dilutive during periods of net loss.

The calculation of weighted average diluted shares outstanding also excludes weighted average outstanding options and warrants to purchase up to 12,790,740 and 13,101,259 shares of common stock for the three and nine months ended January 31, 2009, respectively, and 11,193,227 and 10,530,120 shares of common stock for the three and nine months ended January 31, 2008, respectively, as the exercise prices of those options were greater than the average market price of our common stock during the respective periods, resulting in an anti-dilutive effect.

Recent Accounting Pronouncements - In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 establishes a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy defines the three levels of inputs to measure fair value, as follows:

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

We adopted SFAS No. 157 on May 1, 2008, which did not have a material impact on our consolidated financial statements as we currently do not have any Level 2 or Level 3 financial assets or liabilities and cash and cash equivalents are carried at fair value based on quoted market prices for identical securities (Level 1 input).

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS No. 159"), *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. If the fair value method is selected, a business entity shall report unrealized gains and losses on elected items in earnings at each subsequent reporting date. The standard also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. We adopted SFAS No. 159 on May 1, 2008, which did not have a material impact on our consolidated financial statements as the fair value option was not elected for any of our financial assets or financial liabilities.

In June 2007, the FASB ratified EITF Issue No. 07-3 ("EITF No. 07-3"), *Accounting for Non-Refundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*, which requires nonrefundable advance payments for goods and services that will be used or rendered for future research and development activities be deferred and capitalized. These amounts will be recognized as expense in the period that the related goods are delivered or the related services are performed. We adopted the provisions of EITF No. 07-3 on May 1, 2008, which did not have a material impact on our consolidated financial statements.

In November 2007, the FASB ratified EITF Issue 07-01 ("EITF No. 07-01"), *Accounting for Collaborative Arrangements*, which defines collaborative arrangements and requires that revenues and costs incurred with third parties that do not participate in the collaborative arrangements be reported in the statement of operations gross or net pursuant to the guidance in EITF No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*. Classification of payments made between participants of a collaborative arrangement are to be based on other applicable authoritative accounting literature or, in the absence of other applicable authoritative accounting literature, based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election. EITF No. 07-01 will be effective for fiscal years beginning after December 15, 2008, which we would be required to implement no later than May 1, 2009, and applied as a change in accounting principal to all prior periods retrospectively for all collaborative arrangements existing as of the effective date. We have not yet evaluated the potential impact of adopting EITF No. 07-01 on our consolidated financial statements.

3. SHARE-BASED COMPENSATION

We account for stock options granted under our equity compensation plans in accordance with Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R"), *Share-Based Payment (Revised 2004*). SFAS No. 123R requires the recognition of compensation expense, using a fair value based method, for costs related to all share-based payments including grants of employee stock options. In addition, SFAS No. 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service periods (typically 2 to 4 years).

The fair value of each option grant is estimated using the Black-Scholes option valuation model. The use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs including estimated stock price volatility, risk-free interest rate, expected dividends and projected employee stock option exercise behaviors. In addition, SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Total share-based compensation expense related to employee stock option grants for the three and nine-month periods ended January 31, 2009 and 2008 are included in the accompanying condensed consolidated statements of operations as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2009	2008	2009	2008
Research and development	$ 106,000	$ 147,000	$ 370,000	$ 416,000
Selling, general and administrative	97,000	84,000	320,000	196,000
Total	$ 203,000	$ 231,000	$ 690,000	$ 612,000

As of January 31, 2009, the total estimated unrecognized compensation cost related to non-vested stock options was $1,314,000. This cost is expected to be recognized over a weighted average vesting period of 2.17 years based on current assumptions.

Periodically, we grant stock options to non-employee consultants. The fair value of options granted to non-employees are measured utilizing the Black-Scholes option valuation model and are amortized over the estimated period of service or related vesting period in accordance with EITF 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. Share-based compensation expense recorded during the three and nine months ended January 31, 2009 associated with non-employees amounted to $2,000 and $8,000, respectively. Share-based compensation expense recorded during the three and nine months ended January 31, 2008 associated with non-employees amounted to $1,000 and $15,000, respectively.

4. GOVERNMENT CONTRACT

On June 30, 2008, we were awarded a five-year contract potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The initial contract was awarded through the Transformational Medical Technologies Initiative (TMTI) of the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA). This federal contract is expected to provide us with up to $22.3 million in funding over a 24-month base period, with $14.3 million having been appropriated through the current federal fiscal year ending September 30, 2009. The remainder of the $22.3 million in funding is expected to be appropriated over the remainder of the two-year base period ending June 29, 2010. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended beyond the base period to cover up to $44.4 million in funding over the five-year contract period through three one-year option terms. Work under this contract commenced on June 30, 2008 and direct costs associated with the contract are included in research and development expense in the accompanying condensed consolidated statements of operations.

5. NOTE PAYABLE

On December 9, 2008, we entered into a loan and security agreement pursuant to which we have the ability to borrow up to $10,000,000 (“Loan Agreement”) with MidCap Financial LLC and BlueCrest Capital Finance, L.P. On December 19, 2008, we received initial funding of $5,000,000. In addition, we have an option, which expires on June 30, 2009, to borrow a second tranche in the amount of $5,000,000 upon the satisfaction of certain clinical and financial conditions as set forth in the Loan Agreement. As of January 31, 2009, we had met all clinical conditions under the Loan Agreement, however, we had not met the required financial conditions. In order for us to meet the financial conditions and receive the second tranche of $5,000,000 under the Loan Agreement (provided we are not otherwise in default of any of our obligations under the Loan Agreement), we must raise at least $7,500,000 in gross proceeds from the issuance of new equity or obtain a defined amount in net proceeds from the potential sale of our wholly owned subsidiary, Avid Bioservices, no later than the expiration of the option.

Under the Loan Agreement, the outstanding principal balance each month will bear interest at the then current thirty (30) day LIBOR rate (set at a floor of 3%) plus 9%. The Loan Agreement allows for interest-only payments during the initial six (6) months or until July 2009 followed by thirty (30) equal monthly principal payments plus interest. The Loan Agreement, which is secured by generally all assets of the Company, contains customary covenants that, among other things, generally restricts our ability to incur additional indebtedness. In addition, the Loan Agreement contains a covenant, whereby if our contract with the Defense Threat Reduction Agency (Note 4) is terminated while the loan is outstanding, we would be required to set aside cash and cash equivalents in an amount equal to at least 80% of the outstanding loan balance in a secured account over which we will not be permitted to make withdrawals or otherwise exercise control. Moreover, the Loan Agreement includes a Material Adverse Change clause whereby if there is a material impairment in the priority of lenders' lien in the collateral or in the value of such collateral, or if we encounter a material adverse change in our business, operations, or condition (financial or otherwise), or a material impairment of the prospect of repayment of any portion of the loan, then an event of default can be invoked by the lender.

The terms of the Loan Agreement also include a provision for warrant coverage equal to 10% of each tranche amount divided by the warrant exercise price. The warrant exercise price was calculated based on the average closing price of our common stock for the 20-day period prior to the date of the Loan Agreement. The warrants are exercisable immediately, include piggy-back registration rights, and have a five-year term. In connection with the first tranche advance of $5,000,000, we issued MidCap Financial LLC and BlueCrest Capital Finance, L.P. warrants of 1,184,433 and 507,614, respectively, to purchase an aggregate of 1,692,047 shares of our common stock at an exercise price of $0.2955 per share. At the date of the first tranche advance, the fair value of the warrants was $414,000, and this amount was credited to additional paid-in capital and reduced the carrying value of the debt, reflected as a debt discount in the accompanying condensed consolidated financial statements. The debt discount is being amortized as a non-cash interest expense over the term of the outstanding loan using the effective interest method. The fair value of the warrants was determined using the Black-Scholes model with the following assumptions: estimated volatility of 70.72%; risk free interest rate of 2.00%; an expected life of five years; and no dividend yield.

In connection with the Loan Agreement, we also incurred $469,000 in financing fees and legal costs related to closing the Loan Agreement. These fees and costs are classified as debt issuance costs, and the short-term and long-term portions of these costs are included in current assets and other long-term assets, respectively, in the accompanying condensed consolidated financial statements and are being amortized as a non-cash interest expense over the term of the outstanding loan using the effective interest method. Included in debt issuance costs is a final payment fee of $150,000, which is due and payable on the maturity date of the outstanding loan balance, and is equal to 3% of the total amount funded under the Loan Agreement. The final payment fee payable of $150,000 is classified as other long-term liabilities in the accompanying condensed consolidated financial statements.

As of January 31, 2009, we will make the following principal payments in the years ending April 30:

2009	$ -
2010	1,667,000
2011	2,000,000
2012	1,333,000
Total	$ 5,000,000

6. STOCKHOLDERS' EQUITY

On June 28, 2007, we entered into a Securities Purchase Agreement with several institutional investors whereby we sold 30,000,000 shares of our common stock in exchange for gross proceeds of $22,500,000. After deducting placement agent fees, legal fees and other costs associated with the offering, we received net proceeds of $20,859,000. The shares of common stock were issued from our shelf registration statement on Form S-3, File Number 333-139975 ("January 2007 Shelf"), which allows us to issue, in one or more offerings, shares of common stock for proceeds up to $30,000,000. As of January 31, 2009, we could potentially raise up to $7,500,000 in remaining gross proceeds under the January 2007 Shelf.

In addition, as of January 31, 2009, an aggregate of 4,851,454 shares of common stock were available for issuance under an existing effective shelf registration statement, provided, however, we issue these shares prior to April 12, 2009 (the expiration date of this registration statement).

As of January 31, 2009, we have reserved 22,002,346 additional shares of our common stock which may be issued under our shelf registration statement, stock option plans and outstanding warrants, excluding shares of common stock that could potentially be issued under the January 2007 Shelf, as further described in the following table:

	Number of Shares Reserved
Shares of common stock reserved for issuance under one registration statement	4,851,454
Shares of common stock reserved for issuance upon exercise of outstanding options	14,199,500
Shares of common stock reserved for future option grants under our Option Plans	1,259,345
Shares of common stock reserved for issuance under outstanding warrant arrangements	1,692,047
Total shares of common stock reserved for issuance	22,002,346

7. WARRANTS

During December 2008, we issued 1,692,047 warrants in connection with the loan and security agreement we entered into on December 9, 2008 (Note 5). The warrants, which are exercisable immediately, have an exercise price of $0.2955, include piggy-back registration rights, and have a five-year term.

During the nine months ended January 31, 2009, no warrants were exercised. During the nine months ended January 31, 2008, warrants to purchase 53,416 shares of our common stock were exercised for net proceeds of $46,000.

As of January 31, 2009, warrants to purchase up to 1,692,047 shares of our common stock were issued and outstanding at an exercise price of $0.2955 per share and expire in December 2013.

8. SEGMENT REPORTING

Our business is organized into two reportable operating segments. Peregrine is engaged in the research and development of monoclonal antibody-based therapies for the treatment of cancer and serious viral infections. Avid is engaged in providing contract manufacturing services for Peregrine and outside customers on a fee-for-service basis.

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

Segment information for the three-month periods is summarized as follows:

	Three Months Ended January 31,	
	2009	**2008**
Contract manufacturing services revenue	$ 5,778,000	$ 1,662,000
Cost of contract manufacturing services	4,106,000	1,289,000
Gross profit	1,672,000	373,000
Revenues from products in research and development	1,048,000	13,000
Research and development expense	(4,465,000)	(4,941,000)
Selling, general and administrative expense	(1,489,000)	(1,847,000)
Other income (expense), net	(98,000)	248,000
Net loss	$ (3,332,000)	$ (6,154,000)

Revenues generated from our contract manufacturing services segment were from the following customers:

	Three Months Ended January 31,	
	2009	**2008**
Customer revenues as a % of revenues:		
United States (customer A)	43%	90%
United States (customer B)	26%	0%
Germany (one customer)	28%	10%
Other customers	3%	0%
Total customer revenues as a % of revenues	100%	100%

Segment information for the nine-month periods is summarized as follows:

	Nine Months Ended January 31,	
	2009	**2008**
Contract manufacturing services revenue	$ 7,954,000	$ 5,146,000
Cost of contract manufacturing services	5,672,000	3,872,000
Gross profit	2,282,000	1,274,000
Revenues from products in research and development	2,330,000	46,000
Research and development expense	(12,834,000)	(13,665,000)
Selling, general and administrative expense	(4,722,000)	(5,498,000)
Other income (expense), net	29,000	826,000
Net loss	$ (12,915,000)	$ (17,017,00)

Revenues generated from our contract manufacturing services segment were from the following customers:

	Nine Months Ended January 31,	
	2009	**2008**
Customer revenues as a % of revenues:		
United States (customer A)	56%	86%
United States (customer B)	20%	3%
Germany (one customer)	22%	6%
Other customers	2%	5%
Total customer revenues as a % of revenues	100%	100%

Revenues generated from our products in our research and development segment during the three and nine months ended January 31, 2009 were from revenues earned under the government contract with the DTRA (Note 4). Revenues generated from our products in our research and development segment during the three and nine months ended January 31, 2008 were from an annual license fee and the amortized portion of an up-front license fee received under a license agreement.

Our long-lived assets consist of leasehold improvements, laboratory equipment, and furniture, fixtures and computer equipment and are net of accumulated depreciation. Long-lived assets by segment consist of the following:

	January 31, 2009	**April 30, 2008**
Long-lived Assets, net:		
Contract manufacturing services	$ 1,633,000	$ 1,825,000
Products in research and development	166,000	233,000
Total long-lived assets, net	$ 1,799,000	$ 2,058,000

9. LITIGATION

In the ordinary course of business, we are at times subject to various legal proceedings and disputes. We currently are not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, operating results or cash flows. However, we did file or are involved with the following lawsuits:

On January 12, 2007, we filed a complaint in the Superior Court of the State of California for the County of Orange against Cancer Therapeutics Laboratories (“CTL”). The original complaint has been amended three times based on the ongoing discovery to include claims against Shanghai Medipharm Biotech Co., Ltd. (“Shanghai Medipharm”) and its related entities. The lawsuit alleges claims for breach of contract, interference with contractual relations, declaratory relief, and injunctive relief against the defendants. Peregrine's claims stem from a 1995 license agreement with CTL, and two amendments thereto (collectively referred to as the "License Agreement"). Peregrine claims that CTL breached the License Agreement by, among other things, (i) not sharing with Peregrine all inventions, technology, know-how, patents and other information, derived and/or developed in the People’s Republic of China and/or at the CTL laboratory, as was required under the License Agreement; (ii) not splitting revenue appropriately with Peregrine as required under the License Agreement; (iii) utilizing Peregrine's licensed technologies outside of the People’s Republic of China; and (iv) failing to enter a sublicense agreement with a Chinese sponsor obligating the Chinese sponsor to comply with the terms and obligations in the License Agreement. Peregrine further alleges that Medibiotech Co., Inc. and Shanghai Medipharm ("Medipharm Entities") interfered with the License Agreement, leading to CTL's breaches. This interference by the Medipharm Entities includes: 1) posturing Shanghai Medipharm as the designated sublicensee under the License Agreement, without binding any of the Medipharm Entities to the terms and obligations of an appropriate sublicense agreement called for under the License Agreement; 2) entering into a license agreement with Alan Epstein, M.D. ("Epstein License Agreement") instead of CTL; 3) restricting the information CTL was allowed to provide to Peregrine, thereby prohibiting CTL from providing to Peregrine all information required under the License Agreement; and 4) providing compensation to CTL, and its principals, so that CTL would enter agreements that prohibited CTL from performing under the License Agreement.

On March 28, 2007, CTL filed a cross-complaint, which has been amended three times, alleging that the Company breached the Agreement by improperly terminating the Agreement and double-licensing the technology licensed to CTL to another party, interfered with CTL's agreements with various Medipharm Entities and unjust enrichment. CTL's cross-complaint, which seeks $20 million in damages, is in part predicated on the existence of a sublicense agreement between CTL and Shanghai Medipharm. We are challenging the cross-complaint on the basis that not only did CTL fail to allege an agreement with which the Company interfered, they have been unable to produce the alleged sublicense agreement with Shanghai Medipharm despite our repeated demands, and they have not suffered any compensable damages.

On February 22, 2008, Medibiotech Co., Inc. ("Medibiotech") filed a cross-complaint alleging, as a third party beneficiary, that the Company breached the Agreement by double-licensing the technology licensed to CTL to another party, intentionally interfered with a prospective economic advantage, and unjust enrichment. Medibiotech's subsidiary, Shanghai Medipharm filed an almost identical cross-complaint on February 17, 2009. These cross-complaints, each seek $30 million in damages, in part predicated on Medibiotech and Shanghai Medipharm being the "Chinese Sponsor" under the Agreement. We intend to bring pre-trial motions in an attempt to dispose of these cross-complaints.

The discovery phase on the aforementioned cases is still ongoing. Until we complete the discovery phase and our objections are considered, we cannot estimate the magnitude of the claims of the parties against each other or probable outcome of the litigation.

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

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent our projections, estimates, expectations or beliefs concerning among other things, financial items that relate to management's future plans or objectives or to our future economic and financial performance. In some cases, you can identify these statements by terminology such as "may", "should", "plans", "believe", "will", "anticipate", "estimate", "expect" "project", or "intend", including their opposites or similar phrases or expressions. You should be aware that these statements are projections or estimates as to future events and are subject to a number of factors that may tend to influence the accuracy of the statements. These forward-looking statements should not be regarded as a representation by the Company or any other person that the events or plans of the Company will be achieved. You should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Quarterly Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we file from time to time with the Securities and Exchange Commission ("SEC") after the date of this Quarterly Report. Actual results may differ materially from any forward looking statement.

Company Overview

We are a clinical stage biopharmaceutical company developing monoclonal antibodies for the treatment of cancer and hepatitis C virus ("HCV") infection. We are advancing three separate clinical programs with our first-in-class compounds bavituximab and Cotara® that employ our two platform technologies: Anti-Phosphatidylserine ("Anti-PS") therapeutics and Tumor Necrosis Therapy ("TNT"). Our lead Anti-PS product, bavituximab, is being evaluated under two separate clinical programs for the treatment of solid cancers and hepatitis C virus ("HCV") infection. Under our TNT technology platform, our lead candidate Cotara®, is advancing through two clinical studies for the treatment of patients with brain cancer.

We are organized into two reportable operating segments: (i) Peregrine, the parent company, is engaged in the research and development of monoclonal antibody products for the treatment of cancer and serious viral infections and (ii) Avid Bioservices, Inc., ("Avid") a wholly owned subsidiary, is engaged in providing contract manufacturing services for Peregrine and outside customers on a fee-for-service basis.

Going Concern

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

At January 31, 2009, we had $10,850,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of our wholly owned subsidiary, Avid Bioservices, Inc. As a result, we have historically experienced negative cash flows from operations since our inception and we expect to continue to experience negative cash flows from operations for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2008, 2007 and 2006 amounted to $23,176,000, $20,796,000, and $17,061,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations. As discussed in Note 1 to the condensed consolidated financial statements, there exists substantial doubt regarding our ability to continue as a going concern.

We will need to raise additional capital through one or more methods, including but not limited to, issuing additional equity or debt, in order to support the costs of our research and development programs.

Regarding possible issuance of equity to raise additional capital, as of January 31, 2009, we had 4,851,454 shares available under an existing effective Form S-3 registration statement for possible future registered transactions provided, however, we issue these shares prior to April 12, 2009 (the expiration date of this registration statement). In addition, we filed a separate shelf registration statement on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

With respect to financing our operations through the issuance of debt, on December 9, 2008, we entered into a loan and security agreement pursuant to which we have the ability to borrow up to $10,000,000 (“Loan Agreement”). On December 19, 2008, we received initial funding of $5,000,000, which amount is payable over a thirty-six (36) month term and is secured by generally all assets of the Company as further explained in Note 5. Under the Loan Agreement, we have an option, which expires June 30, 2009, to borrow a second tranche in the amount of $5,000,000 upon the satisfaction of certain clinical and financial conditions as set forth in the Loan Agreement. As of January 31, 2009, we had met the clinical conditions under the Loan Agreement, however, we had not met the required financial conditions. In order for us to meet the financial conditions and receive the second tranche of $5,000,000 under the Loan Agreement (provided we are not otherwise in default of any of our obligations under the Loan Agreement), we must raise at least $7,500,000 in gross proceeds from the issuance of new equity or obtain a defined amount in net proceeds from the potential sale of our wholly owned subsidiary, Avid Bioservices, no later than the expiration of the option.

In addition to the above, we may also raise additional capital though licensing our products or technology platforms or entering into similar collaborative arrangements. In addition to these potential sources of capital, Avid represents an additional asset in our portfolio and although we are not actively pursuing this option, we could continue to pursue strategic initiatives for Avid as a means of potentially raising additional capital.

While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements or from a potential strategic transaction related to Avid to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed contracts with existing customers of Avid Bioservices, Inc., combined with the projected revenues from our government contract, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the second fiscal quarter of our fiscal year 2010 ending October 31, 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which could reduce or delay our future projected cash-inflows. In addition, under the Loan Agreement, in the event our contract with the Defense Threat Reduction Agency is terminated or canceled for any reason, we would be required to set aside cash and cash equivalents in an amount equal to 80% of the outstanding loan balance in a restricted collateral account non-accessable by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the second quarter of our fiscal year 2010 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Clinical Trial Programs

The following represents a summary of our ongoing clinical trial programs:

Product	Indication	Trial Design	Trial Status
Bavituximab	Solid tumor cancers	Phase I monotherapy repeat dose safety study designed to treat up to 28 patients.	Patient enrollment is continuing in this study.
Bavituximab plus docetaxel	Advanced breast cancer	Phase II study designed to treat up to 15 patients initially. Study has been expanded to treat up to a total of 46 patients because six or more objective tumor responses were observed in the initial 15 patients.	Patient enrollment for the first 15 patients in Stage A is complete. The pre-specified number of objective tumor responses was obtained in Stage A. Stage B enrollment is continuing for this study.
Bavituximab plus carboplatin and paclitaxel	Advanced breast cancer	Phase II study designed to treat up to 15 patients initially. Study may be expanded to treat up to a total of 46 patients because promising results were observed in the initial 15 patients.	Patient enrollment for the first 15 patients in Stage A is complete. The pre-specified number of objective tumor responses was obtained in Stage A. Clinical data is continuing to be collected on the initial 15 patients.
Bavituximab plus carboplatin and paclitaxel	Non-small cell lung cancer (NSCLC)	Phase II study designed to treat 21 patients initially. Study may be expanded to treat up to a total of 49 patients because promising results were observed in the initial 21 patients.	Patient enrollment for the first 21 patients in Stage A is complete. The pre-specified number of objective tumor responses was obtained in Stage A. Clinical data is continuing to be collected on the initial 21 patients.
Cotara	Glioblastoma multiforme (GBM)	Dosimetry and dose confirmation study designed to treat up to 12 patients with recurrent GBM.	Patient enrollment is continuing in this study.
Cotara	Glioblastoma multiforme (GBM)	Phase II safety and efficacy study to treat up to 40 patients at first relapse.	Patient enrollment is continuing in this study.
Bavituximab	Chronic hepatitis C virus (“HCV”) infection co-infected with HIV	Phase Ib repeat dose safety study designed to treat up to 24 patients.	Patient enrollment is continuing in this study.

Results of Operations

The following table compares the unaudited condensed consolidated statements of operations for the three and nine-month periods ended January 31, 2009 and 2008. This table provides you with an overview of the changes in the condensed consolidated statements of operations for the comparative periods, which are further discussed below.

	Three Months Ended January 31,			Nine Months Ended January 31,		
	2009	2008	$ Change	2009	2008	$ Change
REVENUES:						
Contract manufacturing revenue	$ 5,778,000	$ 1,662,000	$ 4,116,000	$ 7,954,000	$ 5,146,000	$ 2,808,000
Government contract revenue	1,048,000	-	1,048,000	2,330,000	-	2,330,000
License revenue	-	13,000	(13,000)	-	46,000	(46,000)
Total revenues	6,826,000	1,675,000	5,151,000	10,284,000	5,192,000	5,092,000
COST AND EXPENSES:						
Cost of contract manufacturing	4,106,000	1,289,000	2,817,000	5,672,000	3,872,000	1,800,000
Research and development	4,465,000	4,941,000	(476,000)	12,834,000	13,665,000	(831,000)
Selling, general and administrative	1,489,000	1,847,000	(358,000)	4,722,000	5,498,000	(776,000)
Total cost and expenses	10,060,0000	8,077,000	1,983,000	23,228,000	23,035,000	193,000
LOSS FROM OPERATIONS	(3,234,000)	(6,402,000)	3,168,000	(12,944,000)	(17,843,000)	4,899,000
OTHER INCOME (EXPENSE):						
Interest and other income	37,000	259,000	(222,000)	165,000	851,000	(686,000)
Interest and other expense	(135,000)	(11,000)	(124,000)	(136,000)	(25,000)	(111,000)
NET LOSS	$ (3,332,000)	$ (6,154,000)	$ 2,822,000	$ (12,915,000)	$ (17,017,000)	$ 4,102,000

Results of operations for interim periods covered by this quarterly report on Form 10-Q may not necessarily be indicative of results of operations for the full fiscal year.

Contract Manufacturing Revenue.

Three and nine months: The increases in contract manufacturing revenue of $4,116,000 and $2,808,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year were primarily due to increases in services provided to unrelated entities on a fee-for-service basis including an increase in the number of completed manufacturing runs utilizing our larger capacity bioreactors compared to the same three and nine-month periods in the prior year.

We expect to continue to generate contract manufacturing revenue during the remainder of the current fiscal year based on the anticipated completion of in-process customer related projects and the anticipated demand for Avid's services under signed and outstanding proposals.

Government Contract Revenue.

Three and nine months: The increases in government contract manufacturing revenue of $1,048,000 and $2,330,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year is related to research and development services performed under our government contract with the Defense Threat Reduction Agency (DTRA), a division of the Department of Defense, which commenced during the current fiscal year.

We expect to continue to generate government contract revenue associated with our contract with the DTRA, which was awarded to us on June 30, 2008 and is a five-year contract potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The initial contract was awarded through the Transformational Medical Technologies Initiative (TMTI) of the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA). This contract is expected to provide us with up to $22.3 million in funding over a 24-month base period, with $14.3 million having been appropriated through the current federal fiscal year ending September 30, 2009. The remainder of the $22.3 million in funding is expected to be appropriated over the remainder of the two-year base period ending June 29, 2010. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended beyond the base period to cover up to $44.4 million in funding over the five-year contract period through three one-year option terms.

Cost of Contract Manufacturing.

Three and Nine Months: The increases in cost of contract manufacturing of $2,817,000 and $1,800,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year are primarily related to the current year three and nine-month increases in contract manufacturing revenue. We expect to continue to incur contract manufacturing costs during the remainder of the current fiscal year based on the anticipated completion of customer projects under our current contract manufacturing agreements.

Research and Development Expenses.

Three and Nine Months: The decreases in research and development ("R&D") expenses of $476,000 and $831,000 during the three and nine months ended January 31, 2009 compared to the same periods in the prior year were primarily due to the following changes associated with each of our following platform technologies under development:

Technology Platform	*R&D Expenses – Three Months Ended January 31,*			*R&D Expenses – Nine Months Ended January 31,*		
	2009	2008	$ Change	2009	2008	$ Change
Anti-PS Immunotherapeutics (bavituximab)	$ 3,378,000	$ 2,943,000	$ 435,000	$ 9,479,000	$ 8,158,000	$ 1,321,000
TNT (Cotara®)	1,050,000	1,065,000	(15,000)	3,164,000	2,742,000	422,000
VTA and Anti-Angiogenesis Agents	33,000	767,000	(734,000)	171,000	2,266,000	(2,095,000)
VEA	4,000	166,000	(162,000)	20,000	499,000	(479,000)
Total R&D Expenses	$ 4,465,000	$ 4,941,000	$ (476,000)	$ 12,834,000	$ 13,665,000	$ (831,000)

- *Anti-Phosphatidylserine ("Anti-PS") Immunotherapeutics (bavituximab)* – The increase in Anti-PS Immunotherapeutics program expenses of $435,000 and $1,321,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year is primarily due to an increase in clinical trial expenses to support the advancement of four clinical trials using bavituximab for the treatment of solid tumors and one clinical trial for the treatment of HCV patients co-infected with HIV. The increase in Anti-PS Immunotherapeutics program expenses was further supplemented with an increase in R&D expenses directly associated with increased efforts to advance the development of bavituximab and a fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections under our federal contract with the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA), which was awarded to us on June 30, 2008.

- *Tumor Necrosis Therapy ("TNT") (Cotara®)* – TNT program expenses for the three months ended January 31, 2009 remained in line with the same period in the prior year decreasing slightly by $15,000. TNT program expenses for the nine months ended January 31, 2009 increased $422,000 compared to the same period in the prior year primarily due to increases in clinical trial and payroll expenses to support the continued advancement of our two ongoing Cotara® clinical trials for the treatment of brain cancer.

- *Vascular Targeting Agents ("VTAs") and Anti-Angiogenesis Agents* – The decrease in VTA and Anti-Angiogenesis Agents program expenses of $734,000 and $2,095,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year is primarily due to our efforts to significantly curtail our development expenses associated with this program while focusing our efforts on seeking partners to further advance these technologies.

- *Vasopermeation Enhancement Agents ("VEAs")* – The decrease in VEA program expenses of $162,000 and $479,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year is primarily due to our efforts to significantly curtail our development expenses associated with this program while focusing our efforts on seeking partners to further advance this technology.

Looking beyond the current fiscal year, it is extremely difficult for us to reasonably estimate all future research and development costs associated with each of our technologies due to the number of unknowns and uncertainties associated with pre-clinical and clinical trial development. These unknown variables and uncertainties include, but are not limited to:

- the uncertainty of future clinical trial results;
- the uncertainty of the ultimate number of patients to be treated in any current or future clinical trial;
- the uncertainty of the U.S. Food and Drug Administration allowing our studies to move forward from Phase I clinical studies to Phase II and Phase III clinical studies;
- the uncertainty of the rate at which patients are enrolled into any current or future study. Any delays in clinical trials could significantly increase the cost of the study and would extend the estimated completion dates;
- the uncertainty of terms related to potential future partnering or licensing arrangements;
- the uncertainty of protocol changes and modifications in the design of our clinical trial studies, which may increase or decrease our future costs; and
- The uncertainty of our ability to raise additional capital to support our future research and development efforts beyond the second quarter of our fiscal year 2010 ending October 31, 2009.

We or our potential partners will need to do additional development and clinical testing prior to seeking any regulatory approval for commercialization of our product candidates as all of our products are in discovery, pre-clinical or clinical development. Testing, manufacturing, commercialization, advertising, promotion, exporting, and marketing, among other things, of our proposed products are subject to extensive regulation by governmental authorities in the United States and other countries. The testing and approval process requires substantial time, effort, and financial resources, and we cannot guarantee that any approval will be granted on a timely basis, if at all. Companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in conducting advanced human clinical trials, even after obtaining promising results in earlier trials. Furthermore, the United States Food and Drug Administration may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Even if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which it may be marketed. Accordingly, we or our potential partners may experience difficulties and delays in obtaining necessary governmental clearances and approvals to market our products.

Selling, General and Administrative Expenses.

Selling, general and administrative expenses consist primarily of payroll and related expenses, director fees, legal and accounting fees, share-based compensation expense, investor and public relation fees, insurance, and other expenses relating to the general management, administration, and business development activities of the Company.

Three and Nine Months: The decreases in selling, general and administrative expenses of $358,000 and $776,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year are primarily due to decreases in travel and related expenses, corporate legal fees and payroll and related expenses. Travel and related expenses decreased $162,000 and $349,000 during the current year three and nine-month periods, respectively, primarily due to a decrease in business development efforts in the U.S. and abroad and decreased participation in corporate and investor relation activities compared to the prior year in an effort to curtail corporate and business development related expenditures. Corporate legal fees decreased $108,000 and $279,000 during the current year three and nine-month periods, respectively, primarily due to an overall decrease in legal fees associated with general corporate matters. Payroll and related expenses decreased $60,000 and $111,000 during the current year three and nine-month periods, respectively, primarily due to a decrease in compensation and related expenses. In addition, we incurred incremental decreases in other general corporate related expenses primarily associated with facility related expenses and public relation fees. These decreases in selling, general and administrative expenses were offset with increases in non-cash stock based compensation expenses of $13,000 and $123,000 during the three and nine-month periods, respectively, associated with the amortization of the fair value of options granted to employees.

Interest and Other Income.

Three and Nine Months: The decreases in interest and other income of $222,000 and $686,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year was primarily due to decreases in interest income as a result of a lower average cash balance on hand combined with lower prevailing interest rates during the current year compared to the prior year.

Interest and Other Expense.

Three and Nine Months: The increases in interest and other expense of $124,000 and $111,000 during the three and nine months ended January 31, 2009, respectively, compared to the same periods in the prior year was primarily due to increases in interest expense associated with the loan and security agreement we entered into during December 2008 combined with increases in non-cash interest expense regarding the amortization of the loan and security agreement discount associated with the fair value of detachable warrants and related debt issuance costs.

Critical Accounting Policies

The methods, estimates, and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our condensed consolidated financial statements. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what we anticipate and different assumptions or estimates about the future could change our reported results. We believe the following accounting policies are the most critical to us, in that they are important to the portrayal of our financial statements and they require our most difficult, subjective or complex judgments in the preparation of our condensed consolidated financial statements:

Revenue Recognition

We recognize revenues pursuant to the SEC's Staff Accounting Bulletin No. 104 ("SAB No. 104"), *Revenue Recognition*. In accordance with SAB No. 104, revenue is generally realized or realizable and earned when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectibility is reasonably assured.

We also comply with Financial Accounting Standards Board's Emerging Issues Task Force No. 00-21 ("EITF 00-21"), *Revenue Arrangements with Multiple Deliverables*. In accordance with EITF 00-21, we recognize revenue for delivered elements only when the delivered element has stand-alone value and we have objective and reliable evidence of fair value for each undelivered element. If the fair value of any undelivered element included in a multiple element arrangement cannot be objectively determined, revenue is deferred until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

In July 2000, the Emerging Issues Task Force ("EITF") released Issue 99-19 ("EITF 99-19"), *Reporting Revenue Gross as a Principal versus Net as an Agent*. EITF 99-19 summarized the EITF's views on when revenue should be recorded at the gross amount billed to a customer because it has earned revenue from the sale of goods or services, or the net amount retained (the amount billed to the customer less the amount paid to a supplier) because it has earned a fee or commission. In addition, the EITF released Issue 00-10 ("EITF 00-10"), *Accounting for Shipping and Handling Fees and Costs, and Issue 01-14* ("EITF 01-14"), *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred*. EITF 00-10 summarized the EITF's views on how the seller of goods should classify in the income statement amounts billed to a customer for shipping and handling and the costs associated with shipping and handling. EITF 01-14 summarized the EITF's views on when the reimbursement of out-of-pocket expenses should be characterized as revenue or as a reduction of expenses incurred. Our revenue recognition policies are in compliance with EITF 99-19, EITF 00-10 and EITF 01-14 whereby we record revenue for the gross amount billed to customers (the cost of raw materials, supplies, and shipping, plus the related handling mark-up fee) and we record the cost of the amounts billed as cost of sales as we act as a principal in these transactions.

Revenues associated with contract manufacturing services provided by Avid are generally recognized once the service has been provided and/or upon shipment of the product to the customer. We also record a provision for estimated contract losses, if any, in the period in which they are determined.

Revenues associated with licensing agreements primarily consist of nonrefundable up-front license fees and milestone payments. Revenues under licensing agreements are recognized based on the performance requirements of the agreement. Nonrefundable up-front license fees received under license agreements, whereby continued performance or future obligations are considered inconsequential to the relevant licensed technology, are generally recognized as revenue upon delivery of the technology. Nonrefundable up-front license fees, whereby we have an ongoing involvement or performance obligations, are recorded as deferred revenue and recognized as revenue over the term of the performance obligation or relevant agreement. Milestone payments are generally recognized as revenue upon completion of the milestone assuming there are no other continuing obligations. Under some license agreements, the obligation period may not be contractually defined. Under these circumstances, we must exercise judgment in estimating the period of time over which certain deliverables will be provided to enable the licensee to practice the license.

Revenues associated with our government contract are recognized in accordance with Accounting Research Bulletin No. 43 Chapter 11, *Government Contracts*. Our government contract with the Defense Threat Reduction Agency (DTRA), a division of the Department of Defense, is a "cost-plus-fixed-fee" contract. Reimbursable costs under the contract primarily include direct labor, subcontract costs, materials, equipment, travel, indirect costs, and a fixed fee for our efforts. Revenue under this "cost-plus-fixed-fee" contract is recognized as we perform the underlying research and development activities. However, progress payments associated with contract manufacturing services performed under the DTRA contract are classified as Deferred Government Contract Revenue and are recognized as revenue upon delivery or transfer of legal title of the product to the DTRA.

Share-based Compensation Expense

We currently maintain four equity compensation plans which provide for the granting of options to our employees to purchase shares of our common stock at exercise prices not less than the fair market value of our common stock at the date of grant. The granting of options are share-based payments and are subject to the fair value recognition provisions of Statement of Financial Accounting Standards No. 123R ("SFAS No. 123R"), *Share-Based Payment (Revised 2004)*, which requires the recognition of compensation expense, using a fair value based method, for costs related to all share-based payments including grants of employee stock options.

The fair value of each option grant is estimated using the Black-Scholes option valuation model and are amortized as compensation expense on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period (typically 2 to 4 years). Use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs. Expected volatility is based on daily historical volatility of our stock covering the estimated expected term. The expected term of options granted prior to November 1, 2007 was based on the expected time to exercise using the "simplified" method allowable under the Security and Exchange Commission's Staff Accounting Bulletin No. 107 ("SAB No. 107"). Effective November 1, 2007, the expected term reflects actual historical exercise activity and assumptions regarding future exercise activity of unexercised, outstanding options and is applied to all option grants subsequent to October 31, 2007. The risk-free interest rate is based on U.S. Treasury notes with terms within the contractual life of the option at the time of grant. In addition, SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Our loss from operations for the three and nine-month periods ended January 31, 2009 included share-based compensation expense of $203,000 and $690,000, respectively. Our loss from operations for the three and nine-month periods ended January 31, 2008 included share-based compensation expense of $231,000 and $612,000, respectively. We believe that non-cash share-based compensation expense for the remaining three months of fiscal year 2009 may be up to approximately $161,000 based on actual shares granted and unvested as of January 31, 2009. However, the actual expense may differ materially from this estimate as a result of changes in a number of factors that affect the amount of non-cash compensation expense, including the number of options granted by our Board of Directors during the remainder of the fiscal year, the price of our common stock on the date of grant, the volatility of our stock price, the estimate of the expected life of options granted and the risk-free interest rates.

As of January 31, 2009, the total estimated unrecognized compensation cost related to non-vested stock options was $1,314,000. This cost is expected to be recognized over a weighted average period of 2.17 years.

Allowance for Doubtful Accounts

We continually monitor our allowance for doubtful accounts for all receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables and we estimate an allowance for doubtful accounts based on these factors at that point in time. As of January 31, 2009, based on our analysis of our accounts receivable balances and based on historical collectibility of receivables from our current customers, we determined no allowance for doubtful accounts was necessary.

Liquidity and Capital Resources

At January 31, 2009, we had $10,850,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect to continue to experience negative cash flows from operations for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2008, 2007 and 2006 amounted to $23,176,000, $20,796,000, and $17,061,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations. As discussed in Note 1 to the condensed consolidated financial statements, there exists substantial doubt regarding our ability to continue as a going concern.

We will need to raise additional capital through one or more methods, including but not limited to, issuing additional equity or debt, in order to support the costs of our research and development programs.

Regarding possible issuance of equity to raise additional capital, as of January 31, 2009, we had 4,851,454 shares available under an existing effective Form S-3 registration statement for possible future registered transactions provided, however, we issue these shares prior to April 12, 2009 (the expiration date of this registration statement). In addition, we filed a separate shelf registration statement on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

With respect to financing our operations through the issuance of debt, on December 9, 2008, we entered into a loan and security agreement pursuant to which we have the ability to borrow up to $10,000,000 ("Loan Agreement"). On December 19, 2008, we received initial funding of $5,000,000, which amount is payable over a thirty-six (36) month term and is secured by generally all assets of the Company as further explained in Note 5. Under the Loan Agreement, we have an option, which expires June 30, 2009, to borrow a second tranche in the amount of $5,000,000 upon the satisfaction of certain clinical and financial conditions as set forth in the Loan Agreement. As of January 31, 2009, we had met the clinical conditions under the Loan Agreement, however, we had not met the required financial conditions. In order for us to meet the financial conditions and receive the second tranche of $5,000,000 under the Loan Agreement (provided we are not otherwise in default of any of our obligations under the Loan Agreement), we must raise at least $7,500,000 in gross proceeds from the issuance of new equity or obtain a defined amount in net proceeds from the potential sale of our wholly owned subsidiary, Avid Bioservices, no later than the expiration of the option.

In addition to the above, we may also raise additional capital though licensing our products or technology platforms or entering into similar collaborative arrangements. In addition to these potential sources of capital, Avid represents an additional asset in our portfolio and although we are not actively pursuing this option, we could continue to pursue strategic initiatives for Avid as a means of potentially raising additional capital.

While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements or from a potential strategic transaction related to Avid to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed contracts with existing customers of Avid, combined with the projected revenues from our government contract, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the second quarter of our fiscal year 2010 ending October 31, 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which could reduce or delay our future projected cash-inflows. In addition, under the Loan Agreement, in the event our contract with the Defense Threat Reduction Agency is terminated or canceled for any reason, we would be required to set aside cash and cash equivalents in an amount equal to 80% of the outstanding loan balance in a restricted collateral account non-accessable by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the second quarter of our fiscal year 2010 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Significant components of the changes in cash flows from operating, investing, and financing activities for the nine months ended January 31, 2009 compared to the same prior year period are as follows:

Cash Used In Operating Activities. Cash used in operating activities is primarily driven by changes in our net loss. However, cash used in operating activities generally differs from our reported net loss as a result of non-cash operating expenses or differences in the timing of cash flows as reflected in the changes in operating assets and liabilities. During the nine months ended January 31, 2009, cash used in operating activities decreased $7,335,000 to $8,668,000 compared to $16,003,000 for the nine months ended January 31, 2008. This decrease in net cash used in operating activities was primarily due to a decrease of $4,521,000 in our net loss reported in the current nine-month period after taking into consideration non-cash operating expenses. This amount was supplemented by a net change in operating assets and payment or reduction of liabilities in the aggregate amount of $2,814,000. The decrease in our current nine-month period net loss was primarily due to current period increases in contract manufacturing revenue and government contract revenue combined with decreases in cost of contract manufacturing, research and development expenses and selling, general and administrative expenses.

The changes in operating activities as a result of non-cash operating expenses or differences in the timing of cash flows as reflected by the changes in operating assets and liabilities are as follows:

	NINE MONTHS ENDED	
	January 31, 2009	January 31, 2008
Net loss, as reported	$ (12,915,000)	$ (17,017,000)
Less non-cash expenses and adjustments to net loss:		
Depreciation and amortization	385,000	353,000
Share-based compensation	698,000	627,000
Amortization of expenses paid in shares of common stock	255,000	-
Amortization of discount on notes payable and debt issuance costs	61,000	-
Net cash used in operating activities before changes in operating assets and liabilities	$ (11,516,000)	$ (16,037,000)
Net change in operating assets and liabilities	$ 2,848,000	$ 34,000
Net cash used in operating activities	$ (8,668,000)	$ (16,003,000)

Cash Used In Investing Activities. Net cash used in investing activities decreased $448,000 to $126,000 for the nine months ended January 31, 2009 compared to net cash used of $574,000 for the nine months ended January 31, 2008. This decrease was primarily due to a decrease in cash outflows associated with other assets of $410,000 combined with a $188,000 decrease in property acquisitions. The decrease in other assets of $410,000 was primarily due to prior year progress payments of $413,000 made on certain property related improvements associated with our manufacturing facility. These decreases were offset by the prior year receipt of $150,000 in net security deposits from GE Capital Corporation during the prior year period upon the payment in full of various note payable amounts.

Cash Provided By Financing Activities. Net cash provided by financing activities decreased $16,082,000 for the nine months ended January 31, 2009 compared to the same prior year period. During the nine months ended January 31, 2009, we received net proceeds of $4,531,000 from notes payable under a loan and security agreement we entered into on December 9, 2008, net of debt issuance costs in the amount of $469,000. In addition, principal payments on capital leases were $17,000 for the nine months ended January 31, 2009 compared to capital lease and notes payable principal payments of $336,000 paid in the same prior year period, or a decrease of $319,000. In addition, during the nine months ended January 31, 2008, we received $20,932,000 from the sale of common stock. In the prior year period, we entered into a securities purchase agreement whereby we sold and issued a total of 30,000,000 shares of our common stock in exchange for net proceeds of $20,859,000. This amount was supplemented with net proceeds of $73,000 from the exercise of stock options and warrants.

Commitments

At January 31, 2009, we had no material capital commitments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in United States interest rates would affect the interest earned on our cash and cash equivalents and interest expense on our outstanding notes payable, however, they would not have an affect on our capital leases, which have fixed interest rates and terms.

Based on our overall cash and cash equivalents interest rate exposure at January 31, 2009, a near-term change in interest rates, based on historical movements, would not have a material adverse effect on our financial position or results of operations.

At January 31, 2009, we had an outstanding notes payable balance of $5,000,000 under a loan and security agreement, which bear interest at a monthly variable rate equal to the then current thirty (30) day LIBOR rate (set at a floor of 3%) plus 9%, which may expose us to market risk due to changes in interest rates. However, based on current LIBOR interest rates, which are currently under the minimum floor set at 3% under our loan and security agreement and based on historical movements in LIBOR rates, we believe a near-term change in interest rates would not have a material adverse effect on our financial position or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in its reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of January 31, 2009, the end of the period covered by this Quarterly Report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective at the reasonable assurance level as of January 31, 2009.

There were no significant changes in the Company's internal controls over financial reporting, during the quarter ended January 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

In the ordinary course of business, we are at times subject to various legal proceedings and disputes. We currently are not aware of any such legal proceedings or claim that we believe will have, individually or in the aggregate, a material adverse effect on our business, operating results or cash flows. However, we did file or are involved with the following lawsuits:

On January 12, 2007, we filed a complaint in the Superior Court of the State of California for the County of Orange against Cancer Therapeutics Laboratories (“CTL”). The original complaint has been amended three times based on the ongoing discovery to include claims against Shanghai Medipharm Biotech Co., Ltd. (“Shanghai Medipharm”) and its related entities. The lawsuit alleges claims for breach of contract, interference with contractual relations, declaratory relief, and injunctive relief against the defendants. Peregrine's claims stem from a 1995 license agreement with CTL, and two amendments thereto (collectively referred to as the "License Agreement"). Peregrine claims that CTL breached the License Agreement by, among other things, (i) not sharing with Peregrine all inventions, technology, know-how, patents and other information, derived and/or developed in the People’s Republic of China and/or at the CTL laboratory, as was required under the License Agreement; (ii) not splitting revenue appropriately with Peregrine as required under the License Agreement; (iii) utilizing Peregrine's licensed technologies outside of the People’s Republic of China; and (iv) failing to enter a sublicense agreement with a Chinese sponsor obligating the Chinese sponsor to comply with the terms and obligations in the License Agreement. Peregrine further alleges that Medibiotech Co., Inc. and Shanghai Medipharm ("Medipharm Entities") interfered with the License Agreement, leading to CTL's breaches. This interference by the Medipharm Entities includes: 1) posturing Shanghai Medipharm as the designated sublicensee under the License Agreement, without binding any of the Medipharm Entities to the terms and obligations of an appropriate sublicense agreement called for under the License Agreement; 2) entering into a license agreement with Alan Epstein, M.D. ("Epstein License Agreement") instead of CTL; 3) restricting the information CTL was allowed to provide to Peregrine, thereby prohibiting CTL from providing to Peregrine all information required under the License Agreement; and 4) providing compensation to CTL, and its principals, so that CTL would enter agreements that prohibited CTL from performing under the License Agreement.

On March 28, 2007, CTL filed a cross-complaint, which has been amended three times, alleging that the Company breached the Agreement by improperly terminating the Agreement and double-licensing the technology licensed to CTL to another party, interfered with CTL’s agreements with various Medipharm Entities and unjust enrichment. CTL’s cross-complaint, which seeks $20 million in damages, is in part predicated on the existence of a sublicense agreement between CTL and Shanghai Medipharm. We are challenging the cross-complaint on the basis that not only did CTL fail to allege an agreement with which the Company interfered, they have been unable to produce the alleged sublicense agreement with Shanghai Medipharm despite our repeated demands, and they have not suffered any compensable damages.

On February 22, 2008, Medibiotech Co., Inc. (“Medibiotech”) filed a cross-complaint alleging, as a third party beneficiary, that the Company breached the Agreement by double-licensing the technology licensed to CTL to another party, intentionally interfered with a prospective economic advantage, and unjust enrichment. Medibiotech’s subsidiary, Shanghai Medipharm filed an almost identical cross-complaint on February 17, 2009. These cross-complaints, each seek $30 million in damages, in part predicated on Medibiotech and Shanghai Medipharm being the “Chinese Sponsor” under the Agreement. We intend to bring pre-trial motions in an attempt to dispose of these cross-complaints.

The discovery phase on the aforementioned cases is still ongoing. Until we complete the discovery phase and our objections are considered, we cannot estimate the magnitude of the claims of the parties against each other or probable outcome of the litigation.

ITEM 1A. RISK FACTORS

The following risk factors below update, and should be considered in addition to, the risk factors previously disclosed by us in Part 1, Item 1A of our Annual Report for the fiscal year ended April 30, 2008.

If We Cannot Obtain Additional Funding, Our Product Development And Commercialization Efforts May Be Reduced Or Discontinued And We May Not Be Able To Continue Operations.

At January 31, 2009, we had $10,850,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect to continue to experience negative cash flows from operations for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2008, 2007 and 2006 amounted to $23,176,000, $20,796,000, and $17,061,000, respectively. Unless and until we are able to generate sufficient revenues from Avid’s contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations. As discussed in Note 1 to the condensed consolidated financial statements, there exists substantial doubt regarding our ability to continue as a going concern.

We will need to raise additional capital through one or more methods, including but not limited to, issuing additional equity or debt, in order to support the costs of our research and development programs.

Regarding possible issuance of equity to raise additional capital, as of January 31, 2009, we had 4,851,454 shares available under an existing effective Form S-3 registration statement for possible future registered transactions provided, however, we issue these shares prior to April 12, 2009 (the expiration date of this registration statement). In addition, we filed a separate shelf registration statement on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

With respect to financing our operations through the issuance of debt, on December 9, 2008, we entered into a loan and security agreement pursuant to which we have the ability to borrow up to $10,000,000 (“Loan Agreement”). On December 19, 2008, we received initial funding of $5,000,000, which amount is payable over a thirty-six (36) month term and is secured by generally all assets of the Company as further explained in Note 5. Under the Loan Agreement, we have an option, which expires June 30, 2009, to borrow a second tranche in the amount of $5,000,000 upon the satisfaction of certain clinical and financial conditions as set forth in the Loan Agreement. As of January 31, 2009, we had met the clinical conditions under the Loan Agreement, however, we had not met the required financial conditions. In order for us to meet the financial conditions and receive the second tranche of $5,000,000 under the Loan Agreement (provided we are not otherwise in default of any of our obligations under the Loan Agreement), we must raise at least $7,500,000 in gross proceeds from the issuance of new equity or obtain a defined amount in net proceeds from the potential sale of our wholly owned subsidiary, Avid Bioservices, no later than the expiration of the option.

In addition to the above, we may also raise additional capital though licensing our products or technology platforms or entering into similar collaborative arrangements. In addition to these potential sources of capital, Avid represents an additional asset in our portfolio and although we are not actively pursuing this option, we could continue to pursue strategic initiatives for Avid as a means of potentially raising additional capital.

While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements or from a potential strategic transaction related to Avid to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed contracts with existing customers of Avid, combined with the projected revenues from our government contract, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the second quarter of our fiscal year 2010 ending October 31, 2009. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of contracts and technical challenges, which could reduce or delay our future projected cash-inflows. In addition, under the Loan Agreement, in the event our contract with the Defense Threat Reduction Agency is terminated or canceled for any reason, we would be required to set aside cash and cash equivalents in an amount equal to 80% of the outstanding loan balance in a restricted collateral account non-accessable by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the second quarter of our fiscal year 2010 unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Our Outstanding Indebtedness To MidCap Finacial LLC and BlueCrest Capital Finance, L.P. Imposes Certain Restrictions On How We Conduct Our Business. In Addition, All Of Our Assets, Including Our Intellectual Property, Are Pledged To Secure This Indebtedness. If We Fail To Meet Our Obligations To The Lenders, Our Payment Obligations May Be Accelerated And The Collateral Securing The Debt May Be Sold To Satisfy These Obligations.

Pursuant to a Loan and Security Agreement dated December 9, 2008 (the "Loan Agreement"), MidCap Financial LLC and BlueCrest Capital Finance, L.P. (the "Lenders") have provided us a three-year, $5,000,000 working capital loan, which funded on December 19, 2008 and may be increased to $10,000,000 upon our attainment of certain additional clinical and financial conditions by June 30, 2009 as outlined in the Loan Agreement. As collateral to secure our repayment obligations to the Lenders, we and our wholly-owned subsidiary, Avid Bioservices, Inc., have granted the Lenders a first priority security interest in generally all of our respective assets, including our intellectual property.

The Loan Agreement contains various covenants that restrict our operating flexibility. Pursuant to the Loan Agreement, we may not, among other things:

- incur additional indebtedness, except for certain permitted indebtedness. Permitted indebtedness is defined to include accounts payable incurred in the ordinary course of business, leases of equipment or property incurred in the ordinary course of business not to exceed in the aggregate $100,000 outstanding at any one time;
- incur additional liens on any of our assets except for certain permitted liens including but not limited to non-exclusive licenses of our intellectual property in the ordinary course of business and exclusive licenses of intellectual property provided they are approved by our board of directors and do not involve bavituximab or Cotara;
- Make any payment of subordinated debt, except as permitted under the applicable subordination or intercreditor agreement;
- merge with or acquire any other entity, or sell all or substantially all of our assets, except as permitted under the Loan Agreement;
- pay dividends (other than stock dividends) to our shareholders;
- redeem any outstanding shares of our common stock or any outstanding options or warrants to purchase shares of our common stock except in connection with a share repurchase pursuant to which we offer to pay our then existing shareholders not more than $250,000;
- enter into transactions with affiliates other than on arms-length terms; and
- make any change in any of our business objectives, purposes and operations which has or could be reasonably expected to have a material adverse effect on our business.

These provisions could have important consequences for us, including (i) making it more difficult for us to obtain additional debt financing from another lender, or obtain new debt financing on terms favorable to us, because a new lender will have to be willing to be subordinate to the lenders, (ii) causing us to use a portion of our available cash for debt repayment and service rather than other perceived needs and/or (iii) impacting our ability to take advantage of significant, perceived business opportunities. Our failure to timely repay our obligations under the Loan Agreement or meet the covenants set forth in the Loan Agreement could give rise to a default under the agreement. In the event of an uncured default, the Loan Agreement provides that all amounts owed to the lender may be declared are immediately due and payable and that the Lenders have the right to enforce their security interest in the assets securing the Loan Agreement. In such event, the Lenders could take possession of any or all of our assets in which they hold a security interest, and dispose of those assets to the extent necessary to pay off our debts, which would materially harm our business.

In The Event Our Contract With The DTRA Is Terminated, Our Loan Requires Us To Place A Significant Amount Of Our Cash In A Restricted Bank Account.

Under the terms of the Loan Agreement, if our contract with the Defense Threat Reduction Agency is terminated while any principal balance of the loan is outstanding, we will be required to at all times thereafter maintain cash and cash equivalents in an amount of at least eighty percent (80%) of the then outstanding principal balance of the loan in a restricted account over which we will not be permitted to make withdrawals or otherwise exercise control.

We Have Had Significant Losses And We Anticipate Future Losses.

We have incurred net losses in most fiscal years since we began operations in 1981. The following table represents net losses incurred for the nine months ended January 31, 2009 and for each of the past three fiscal years:

	Net Loss
Nine months ended January 31, 2009 (unaudited)	$12,915,000
Fiscal Year 2008	$23,176,000
Fiscal Year 2007	$20,796,000
Fiscal Year 2006	$17,061,000

As of January 31, 2009, we had an accumulated deficit of $243,751,000. While we expect to continue to generate revenues from Avid's contract manufacturing services, in order 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 costs associated with clinical trials and product manufacturing is very expensive and the time frame necessary to achieve market success for our products is long and uncertain. We do not expect to generate product or royalty revenues for at least the next two years, and we may never generate product and/or royalty revenues sufficient to become profitable or to sustain profitability.

The Sale Of Substantial Shares Of Our Common Stock May Depress Our Stock Price.

As of January 31, 2009, there were 226,210,617 shares of our common stock outstanding. Substantially all of these shares are eligible for trading in the public market, subject in some cases to volume and other limitations. The market price of our common stock may decline if our common stockholders sell a large number of shares of our common stock in the public market, or the market perceives that such sales may occur.

We could also issue up to 22,002,346 additional shares of our common stock that are reserved for future issuance under our shelf registration statements, stock option plans and for outstanding warrants, as further described in the following table:

	Number of Shares of Common Stock Reserved For Issuance
Shares reserved for issuance under one effective shelf registration statement	4,851,454
Common shares reserved for issuance upon exercise of outstanding options or reserved for future option grants under our stock incentive plans	15,458,845
Common shares issuable upon exercise of outstanding warrants	1,692,047
Total	22,002,346

In addition, the above table does not include shares of common stock that we have available to issue from the registration statement we filed during January 2007 on Form S-3, File Number 333-139975, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $7,500,000.

Of the total options and warrants outstanding as of January 31, 2009, 5,885,770 would be considered dilutive to stockholders because we would receive an amount per share which is less than the market price of our common stock at January 31, 2009.

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

Current Economic Conditions And Capital Markets Are In A Period Of Disruption And Instability Which Could Adversely Affect Our Ability To Access The Capital Markets, And Thus Adversely Affect Our Business And Liquidity.

The current economic conditions and financial crisis have had, and will continue to have, a negative impact on our ability to access the capital markets, and thus have a negative impact on our business and liquidity. The shortage of liquidity and credit combined with recent substantial losses in worldwide equity markets could lead to an extended worldwide recession. We may face significant challenges if conditions in the capital markets do not improve. Our ability to access the capital markets has been and continues to be severely restricted at a time when we need to access such markets, which could have a negative impact on our business plans, including our pre-clinical studies and clinical trial schedules and other research and development activities. Even if we are able to raise capital, it may not be at a price or on terms that are favorable to us. We cannot predict the occurrence of future disruptions or how long the current conditions may continue.

Our Highly Volatile Stock Price And Trading Volume May Adversely Affect The Liquidity Of Our Common Stock.

The market price of our common stock and the market prices of securities of companies in the biotechnology sector have generally been highly volatile and are likely to continue to be highly volatile.

The following table shows the high and low sales price and trading volume of our common stock for each quarter in the three fiscal years ended April 30, 2008, and our three fiscal quarters ended January 31, 2009:

	Common Stock Sales Price		Common Stock Daily Trading Volume (000's omitted)	
	High	**Low**	**High**	**Low**
Fiscal Year 2009				
Quarter Ended January 31, 2009	$ 0.47	$ 0.22	1,298	93
Quarter Ended October 31, 2008	$ 0.40	$ 0.23	1,318	77
Quarter Ended July 31, 2008	$ 0.53	$ 0.31	2,997	103
Fiscal Year 2008				
Quarter Ended April 30, 2008	$ 0.73	$ 0.35	3,846	130
Quarter Ended January 31, 2008	$ 0.65	$ 0.35	3,111	140
Quarter Ended October 31, 2007	$ 0.79	$ 0.54	2,631	169
Quarter Ended July 31, 2007	$ 1.40	$ 0.72	21,653	237
Fiscal Year 2007				
Quarter Ended April 30, 2007	$ 1.26	$ 0.86	6,214	408
Quarter Ended January 31, 2007	$ 1.39	$ 1.09	4,299	203
Quarter Ended October 31, 2006	$ 1.48	$ 1.12	3,761	277
Quarter Ended July 31, 2006	$ 1.99	$ 1.30	23,790	429
Fiscal Year 2006				
Quarter Ended April 30, 2006	$ 1.76	$ 1.20	9,922	391
Quarter Ended January 31, 2006	$ 1.40	$ 0.88	12,152	251
Quarter Ended October 31, 2005	$ 1.28	$ 0.91	4,619	156
Quarter Ended July 31, 2005	$ 1.31	$ 0.92	7,715	178

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

- announcements of technological innovations or new commercial products by us or our competitors;
- publicity regarding actual or potential clinical trial results relating to products under development by us or our competitors;
- our financial results or that of our competitors, including our abilities to continue as a going concern;
- the offering and sale of shares of our common stock at a discount under an equity transaction;
- changes in our capital structure, including but not limited to any potential reverse stock split;
- published reports by securities analysts;
- announcements of licensing agreements, joint ventures, strategic alliances, and any other transaction that involves the sale or use of our technologies or competitive technologies;
- developments and/or disputes concerning our patent or proprietary rights;
- regulatory developments and product safety concerns;
- general stock trends in the biotechnology and pharmaceutical industry sectors;
- public concerns as to the safety and effectiveness of our products;
- economic trends and other external factors, including but not limited to, interest rate fluctuations, economic recession, inflation, foreign market trends, national crisis, and disasters; and
- healthcare reimbursement reform and cost-containment measures implemented by government agencies.

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

The Liquidity Of Our Common Stock Will Be Adversely Affected If Our Common Stock Is Delisted From The Nasdaq Capital Market.

Our common stock is presently traded on The Nasdaq Capital Market. To maintain inclusion on The Nasdaq Capital Market, we must continue to meet the following six listing requirements:

1. Net tangible assets of at least $2,500,000 or market capitalization of at least $35,000,000 or net income of at least $500,000 in either our latest fiscal year or in two of our last three fiscal years;
2. Public float of at least 500,000 shares;
3. Market value of our public float of at least $1,000,000;
4. A minimum closing bid price of $1.00 per share of common stock, without falling below this minimum bid price for a period of thirty consecutive trading days;
5. At least two market makers; and
6. At least 300 stockholders, each holding at least 100 shares of common stock.

On July 25, 2007, we received a deficiency notice from The NASDAQ Stock Market notifying us that we had not met the $1.00 minimum closing bid price requirement for thirty consecutive trading days as required under NASDAQ listing rules. According to the NASDAQ notice, we were automatically afforded an initial “compliance period” of 180 calendar days, or until January 22, 2008, to regain compliance with this requirement. After the initial 180 calendar day period, we remained noncompliant with the minimum closing bid price requirement but because we were in compliance with all other initial listing requirements, we were afforded an additional “compliance period” of 180 calendar days, or until July 21, 2008. Because we did not regain compliance, i.e., the closing bid price of the Company’s common stock did not meet or exceed $1.00 per share for a minimum of ten (10) consecutive business days prior to July 21, 2008, on July 22, 2008 we received a notice from The NASDAQ Stock Market indicating that we were not in compliance with the minimum bid price requirement for continued listing, and as a result our common stock is subject to delisting. On July 28, 2008, we requested a hearing with the NASDAQ Listing Qualifications Panel (“Panel”) to review the delisting determination. Our request for a hearing stayed the delisting pending a decision by the Panel. The oral hearing took place September 4, 2008 at which we presented to the Panel our definitive plan to achieve and sustain long-term compliance with the listing requirements of the NASDAQ Capital Market. On September 16, 2008, we received a letter from the NASDAQ Stock Market informing us that the Panel had determined to grant our request to remain listed, subject to the condition that on or before January 20, 2009, we must evidence a closing bid price for our common stock of $1.00 or more for a minimum of ten prior consecutive trading days.

On October 21, 2008, we conducted our 2008 annual meeting of stockholders at which our stockholders approved an amendment to our certificate of incorporation to effect a reverse stock split of the outstanding shares of our common stock at a ratio to be determined by our Board of Directors within a range of three-for-one and ten-for-one. Subsequent to our annual meeting of stockholders, NASDAQ Stock Market suspended the bid price and market value of publicly held shares continued listing requirements through April 17, 2009. As a result of this suspension, the exception granted to us by the Panel, which required us to demonstrate compliance with the closing minimum bid price requirement by January 20, 2009, has been extended to July 27, 2009.

We intend to pursue all available options to ensure our continued listing on the Nasdaq Stock Market, including, if necessary, effecting the reverse stock split of our outstanding common stock previously approved by our stockholders. Although we currently meet all other Nasdaq listing requirements, the market price of our common stock has generally been highly volatile and we cannot guarantee that we will be able to regain compliance with the minimum closing bid price requirement within the required compliance period. If we fail to regain compliance with the minimum closing bid price requirement or fail to comply with any other of The Nasdaq Capital Market listing requirements, the market value of our common stock could fall and holders of common stock would likely find it more difficult to dispose of the common stock.

If our common stock is delisted, we would apply to have our common stock quoted on the over-the-counter electronic bulletin board. Upon any such delisting, our common stock would become subject to the regulations of the Securities and Exchange Commission relating to the market for penny stocks. A penny stock, as defined by the Penny Stock Reform Act, is any equity security not traded on a national securities exchange that has a market price of less than $5.00 per share. The penny stock regulations generally require that a disclosure schedule explaining the penny stock market and the risks associated therewith be delivered to purchasers of penny stocks and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors. The broker-dealer must make a suitability determination for each purchaser and receive the purchaser's written agreement prior to the sale. In addition, the broker-dealer must make certain mandated disclosures, including the actual sale or purchase price and actual bid offer quotations, as well as the compensation to be received by the broker-dealer and certain associated persons. The regulations applicable to penny stocks may severely affect the market liquidity for our common stock and could limit your ability to sell your securities in the secondary market.

If We Effect A Reverse Stock Split, The Liquidity of Our Common Stock And Market Capitalization Could Be Adversely Affected.

A reverse stock split is often viewed negatively by the market and, consequently, can lead to a decrease in our overall market capitalization. If the per share market price does not increase proportionately as a result of the reverse split, then the value of our company as measured by our market capitalization will be reduced, perhaps significantly. In addition, because the reverse split will significantly reduce the number of shares of our common stock that are outstanding, the liquidity of our common stock could be adversely affected and you may find it more difficult to purchase or sell shares of our common stock.

Successful Development Of Our Products Is Uncertain. To Date, No Revenues Have Been Generated From The Commercial Sale Of Our Products And Our Products May Not Generate Revenues In The Future.

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

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

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

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

Our Product Development Efforts May Not Be Successful.

Our product candidates have not received regulatory approval and are generally in research, pre-clinical and various clinical stages of development. If the results from any of the clinical trials are poor, those results may adversely affect our ability to raise additional capital or obtain regulatory approval to conduct additional clinical trials, which will affect our ability to continue full-scale research and development for our antibody technologies. In addition, our product candidates may take longer than anticipated to progress through clinical trials, or patient enrollment in the clinical trials may be delayed or prolonged significantly, thus delaying the clinical trials. Patient enrollment is a function of many factors, including the size of the patient population, the nature of the protocol, the proximity of patients to the clinical sites, and the eligibility criteria for the study. In addition, because our Cotara® product currently in clinical trials represents a departure from more commonly used methods for cancer treatment, potential patients and their doctors may be inclined to use conventional therapies, such as chemotherapy, rather than enroll patients in our clinical study.

Clinical Trials Required For Our Product Candidates Are Expensive And Time Consuming, And Their Outcome Is Uncertain.

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

- obtaining regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- slower than expected rates of patient recruitment due to narrow screening requirements;
- the inability of patients to meet FDA or other regulatory authorities imposed protocol requirements;

- the inability to retain patients who have initiated a clinical trial but may be prone to withdraw due to various clinical or personal reasons, or who are lost to further follow-up;
- the inability to manufacture sufficient quantities of qualified materials under current good manufacturing practices, or cGMPs, for use in clinical trials;
- the need or desire to modify our manufacturing processes;
- the inability to adequately observe patients after treatment;
- changes in regulatory requirements for clinical trials;
- the lack of effectiveness during the clinical trials;
- unforeseen safety issues;
- delays, suspension, or termination of the clinical trials due to the institutional review board responsible for overseeing the study at a particular study site; and
- government or regulatory delays or "clinical holds" requiring suspension or termination of the trials.

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

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

Our International Clinical Trials May Be Delayed Or Otherwise Adversely Impacted By Social, Political And Economic Factors Affecting The Particular Foreign Country.

We are presently conducting clinical trials in India and the Republic of Georgia. Our ability to successfully initiate, enroll and complete a clinical trial in either country, or in any future foreign country in which we may initiate a clinical trial, are subject to numerous risks unique to conducting business in foreign countries, including:

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

Because we will be conducting a number of our Phase II clinical trials in India and the Republic of Georgia and potentially other foreign countries, any disruption to our international clinical trial program could significantly delay our product development efforts. In addition, doing business in the Republic of Georgia, which is in Eastern Europe, involves other significant risks which could materially and adversely affect our business as there remains a high degree of political instability in many parts of Eastern Europe.

Success In Early Clinical Trials May Not Be Indicative Of Results Obtained In Later Trials.

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

Positive results from our pre-clinical studies, Phase I and the first stage of our Phase II clinical trials should not be relied upon as evidence that later or larger-scale clinical trials will succeed. The Phase I studies we have completed to date have been designed to primarily assess safety in a small number of patients. In addition, while we have completed the first stage of all three of our Phase II studies, and obtained positive results with respect to our primary endpoints, our Phase II trials are open-label, Simon two-stage design trials to evaluate the safety and efficacy on bavituximab in combination with chemotherapy drugs in a limited number of patients. The limited results we have obtained, and will obtain in the Phase II trials, may not predict results for any future studies and also may not predict future therapeutic benefit. We will be required to demonstrate through larger-scale clinical trials that bavituximab and Cotara® are safe and effective for use in a diverse population before we can seek regulatory approval for their commercial sale. There is typically an extremely high rate of attrition from the failure of drug candidates proceeding through clinical trials.

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

If We Successfully Develop Products But Those Products Do Not Achieve And Maintain Market Acceptance, Our Business Will Not Be Profitable.

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

- our ability to provide acceptable evidence of safety and efficacy;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- availability of alternative treatments;
- pricing and cost effectiveness;
- effectiveness of our or our collaborators' sales and marketing strategy; and
- our ability to obtain sufficient third-party insurance coverage or reimbursement.

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

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

If We Cannot License Or Sell Cotara®, It May Be Delayed Or Never Be Further Developed.

We have completed Phase I and Phase I/II studies with Cotara® for the treatment of brain cancer. In addition, we are currently conducting a dose confirmation and dosimetry clinical trial in patients with recurrent glioblastoma multiforme ("GBM") in the U.S. We are also currently conducting a Phase II safety and efficacy study in India using a single administration of the drug through an optimized delivery method. Taken together, the current U.S. study along with data collected from the Phase II safety and efficacy study in India should provide the safety, dosimetry and efficacy data that will support the final design of the larger Phase III study. Once we complete these two Cotara® studies for the treatment of GBM, substantial financial resources will be needed to complete the final part of the trial and any additional supportive clinical studies necessary for potential product approval. We do not presently have the financial resources internally to complete the larger Phase III study. We therefore intend to continue to seek a licensing or funding partner for Cotara®, and hope that the data from the U.S. and the Phase II study in India will enhance our opportunities of finding such partner. If a partner is not found for this technology, we may not be able to advance the project past its current state of development. Because there are a limited number of companies which have the financial resources, the internal infrastructure, the technical capability and the marketing infrastructure to develop and market a radiopharmaceutical based oncology drug, we may not find a suitable partnering candidate for Cotara®. We also cannot ensure that we will be able to find a suitable licensing partner for this technology. Furthermore, we cannot ensure that if we do find a suitable licensing partner, the financial terms that they propose will be acceptable to the Company.

Our Dependency On Our Radiolabeling Suppliers May Negatively Impact Our Ability To Complete Clinical Trials And Market Our Products.

We have procured our antibody radioactive isotope combination services ("radiolabeling") for Cotara® with Iso-tex Diagnostics, Inc. for all U.S. clinical trials and with the Board of Radiation & Isotope Technology ("BRIT") for our Phase II study in India. If either of these suppliers is unable to continue to qualify its respective facility or radiolabel and supply our antibody in a timely manner, our current clinical trials using radiolabeling technology could be adversely affected and significantly delayed. While there are other suppliers for radioactive isotope combination services in the U.S., our clinical trial would be delayed for up to twelve to eighteen months because it may take that amount of time to certify a new facility under current Good Manufacturing Practices and qualify the product, plus we would incur significant costs to transfer our technology to another vendor. In addition, the number of facilities that can perform these radiolabeling services is very limited. Prior to commercial distribution of any of our products, if approved, we will be required to identify and contract with a company for commercial antibody manufacturing and radioactive isotope combination services. An antibody that has been combined with a radioactive isotope, such as Iodine-131, cannot be stored for long periods of time, as it must be used within one week of being radiolabeled to be effective. Accordingly, any change in our existing or future contractual relationships with, or an interruption in supply from, any such third-party service provider or antibody supplier could negatively impact our ability to complete ongoing clinical trials conducted by us or a potential licensing partner.

Our Manufacturing Facilities May Not Continue To Meet Regulatory Requirements And Have Limited Capacity.

Before approving a new drug or biologic product, the FDA requires that the facilities at which the product will be manufactured be in compliance with current Good Manufacturing Practices, or cGMP requirements. To be successful, our therapeutic products must be manufactured for development and, following approval, in commercial quantities, in compliance with regulatory requirements and at acceptable costs. Currently, we manufacture all pre-clinical and clinical material through Avid Bioservices, our wholly owned subsidiary. While we believe our current facilities are adequate for the manufacturing of product candidates for clinical trials, our facilities may not be adequate to produce sufficient quantities of any products for commercial sale.

If we are unable to establish and maintain a manufacturing facility or secure third-party manufacturing capacity within our planned time frame and cost parameters, the development and sales of our products, if approved, may be materially harmed.

We may also encounter problems with the following:

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

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

We Currently Depend On a Government Contract To Partially Fund Our Research And Development Efforts. If Our Current Government Funding Is Reduced Or Delayed, Our Drug Development Efforts May Be Negatively Affected.

On June 30, 2008, we were awarded up to a five-year contract potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The initial contract was awarded through the Transformational Medical Technologies Initiative (TMTI) of the U.S. Department of Defense's Defense Threat Reduction Agency (DTRA). This federal contract is expected to provide us with up to $22.3 million in funding over a 24-month base period, with $14.3 million having been appropriated through the current federal fiscal year ending September 30, 2009. The remainder of the $22.3 million in funding is expected to be appropriated over the remainder of the two-year base period ending June 29, 2010. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended beyond the base period to cover up to $44.4 million in funding over the five-year contract period. Work under this contract commenced on June 30, 2008. If we do not receive the expected funding under this contract, we may not be able to develop therapeutics to treat hemorrhagic fever virus infection nor otherwise receive the other indirect benefits that may be derived from receipt of the full funding under this contract.

Federal government contracts contain provisions giving government customers a variety of rights that are unfavorable to us, including the ability to terminate a contract at any time for convenience.

Federal government contracts, such as our contract with the DTRA, contain provisions, and are subject to laws and regulations, that give the government rights and remedies not typically found in commercial contracts. These provisions may allow the government to:

- Reduce, cancel, or otherwise modify our contracts or related subcontract agreements;
- Decline to exercise an option to renew a multi-year contract;
- Claim rights in products and systems produced by us;
- Prohibit future procurement awards with a particular agency as a result of a finding of an organizational conflict of interest based upon prior related work performed for the agency that would give a contractor an unfair advantage over competing contractors;
- Subject the award of contracts to protest by competitors, which may require the contracting federal agency or department to suspend our performance pending the outcome of the protest;
- Suspend or debar us from doing business with the federal government or with a governmental agency; and
- Control or prohibit the export of our products and services.

If the government terminates our contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates our contract for default, we may not recover even those amounts, and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. If the DTRA were to unexpectedly terminate or cancel, or decline to exercise the option to extend our contract beyond the base period, our revenues, product development efforts and operating results would be materially harmed.

We May Have Significant Product Liability Exposure Because We Maintain Only Limited Product Liability Insurance.

We face an inherent business risk of exposure to product liability claims in the event that the administration of one of our drugs during a clinical trial adversely affects or causes the death of a patient. Although we maintain product liability insurance for clinical studies in the amount of $3,000,000 per occurrence or $3,000,000 in the aggregate on a claims-made basis, this coverage may not be adequate. Product liability insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, if at all. Our inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims in excess of our insurance coverage, if any, or a product recall, could negatively impact our financial position and results of operations.

In addition, the contract manufacturing services that we offer through Avid expose us to an inherent risk of liability as the antibodies or other substances manufactured by Avid, at the request and to the specifications of our customers, could possibly cause adverse effects or have product defects. We obtain agreements from our customers indemnifying and defending us from any potential liability arising from such risk. There can be no assurance that such indemnification agreements will adequately protect us against potential claims relating to such contract manufacturing services or protect us from being named in a possible lawsuit. Although Avid has procured insurance coverage, there is no guarantee that we will be able to maintain our existing coverage or obtain additional coverage on commercially reasonable terms, or at all, or that such insurance will provide adequate coverage against all potential claims to which we might be exposed. A partially successful or completely uninsured claim against Avid would have a material adverse effect on our consolidated operations.

If We Are Unable To Obtain, Protect And Enforce Our Patent Rights, We May Be Unable To Effectively Protect Or Exploit Our Proprietary Technology, Inventions And Improvements.

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

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

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

We May Become Involved In Lawsuits To Protect Or Enforce Our Patents That Would Be Expensive And Time Consuming.

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

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

We May Not Be Able To Compete With Our Competitors In The Biotechnology Industry Because Many Of Them Have Greater Resources Than We Do And They Are Further Along In Their Development Efforts.

The pharmaceutical and biotechnology industry is intensely competitive and subject to rapid and significant technological change. Many of the drugs that we are attempting to discover or develop will be competing with existing therapies. In addition, we are aware of several pharmaceutical and biotechnology companies actively engaged in research and development of antibody-based products that have commenced clinical trials with, or have successfully commercialized, antibody products. Some or all of these companies may have greater financial resources, larger technical staffs, and larger research budgets than we have, as well as greater experience in developing products and running clinical trials. We expect to continue to experience significant and increasing levels of competition in the future. In addition, there may be other companies which are currently developing competitive technologies and products or which may in the future develop technologies and products that are comparable or superior to our technologies and products.

We are conducting the Cotara® dose confirmation and dosimetry clinical trial for the treatment of recurrent glioblastoma multiforme ("GBM"), the most aggressive form of brain cancer. Approved treatments for brain cancer include the Gliadel® Wafer (polifeprosan 20 with carmustine implant) from MGI Pharma, Inc. and Temodar® (temozolomide) from Schering-Plough Corporation. Gliadel® is inserted in the tumor cavity following surgery and releases a chemotherapeutic agent over time. Temodar® is administered orally to patients with brain cancer.

Because Cotara® targets brain tumors from the inside out, it is a novel treatment dissimilar from other drugs in development for this disease. Some products in development may compete with Cotara® should they become approved for marketing. These products include, but are not limited to: ^{131}I-TM601, a radiolabeled chlorotoxin peptide being developed by TransMolecular, Inc., Neuradiab, a radiolabeled anti-tenascin monoclonal antibody sponsored by Bradmer Pharmaceuticals, CDX-110, a peptide vaccine under development by Celldex, cilengitide, an integrin-targeting peptide being evaluated by Merk KGaA, and cediranib, a VEGFR tyrosine kinase inibitor being developed by AstraZeneca. In addition, oncology products marketed for other indications such as Gleevec® (Novartis), Tarceva® (Genentech/OSI), Avastin® (Genentech) and Nexavar® (Bayer), are being tested in clinical trials for the treatment of brain cancer.

Bavituximab is currently in clinical trials for the treatment of advanced solid cancers. There are a number of possible competitors with approved or developmental targeted agents used in combination with standard chemotherapy for the treatment of cancer, including but not limited to, Avastin® by Genentech, Inc., Gleevec® by Novartis, Tarceva® by OSI Pharmaceuticals, Inc. and Genentech, Inc., Erbitux® by ImClone Systems Incorporated and Bristol-Myers Squibb Company, Rituxan® and Herceptin® by Genentech, Inc., and Vectibix™ by Amgen. There are a significant number of companies developing cancer therapeutics using a variety of targeted and non-targeted approaches. A direct comparison of these potential competitors will not be possible until bavituximab advances to later-stage clinical trials.

In addition, we are evaluating bavituximab for the treatment of HCV. Bavituximab is a first-in-class approach for the treatment of HCV. We are aware of no other products in development targeting phosphatidylserine as a potential therapy for HCV. There are a number of companies that have products approved and on the market for the treatment of HCV, including but not limited to: Peg-Intron® (pegylated interferon-alpha-2b), Rebetol® (ribavirin), and Intron-A (interferon-alpha-2a), which are marketed by Schering-Plough Corporation, and Pegasys® (pegylated interferon-alpha-2a), Copegus® (ribavirin USP) and Roferon-A® (interferon-alpha-2a), which are marketed by Roche Pharmaceuticals, and Infergen® (interferon alfacon-1) now marketed by Three Rivers Pharmaceuticals, LLC. First line treatment for HCV has changed little since alpha interferon was first introduced in 1991. The current standard of care for HCV includes a combination of an alpha interferon (pegylated or non-pegylated) with ribavirin. This combination therapy is generally associated with considerable toxicity including flu-like symptoms, hematologic changes and central nervous system side effects including depression. It is not uncommon for patients to discontinue alpha interferon therapy because they are unable to tolerate the side effects of the treatment.

Future treatments for HCV are likely to include a combination of these existing products used as adjuncts with products now in development. Later-stage developmental treatments include improvements to existing therapies, such as Albuferon™ (albumin interferon) from Human Genome Sciences, Inc. Other developmental approaches include, but are not limited to, protease inhibitors such as telaprevir from Vertex Pharmaceuticals Incorporated and boceprevir from Schering-Plough Corporation.

Avid Bioservices, Our subsidiary, Is exposed To Risks Resulting From Its Small Customer Base.

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

If We Lose Qualified Management And Scientific Personnel Or Are Unable To Attract And Retain Such Personnel, We May Be Unable To Successfully Develop Our Products Or We May Be Significantly Delayed In Developing Our Products.

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

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

Our Governance Documents And State Law Provide Certain Anti-Takeover Measures Which Will Discourage A Third Party From Seeking To Acquire Us Unless Approved By the Board of Directors.

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

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

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

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

ITEM 2. **UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.** None.

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.**

(a) Exhibits:

10.111	Loan and Security Agreement dated December 9, 2008 between Registrant and BlueCrest Capital Finance, L.P.
10.112	Secured Term Promissory Note dated December 19, 2008 between Registrant and BlueCrest Capital Finance, L.P.
10.113	Secured Term Promissory Note dated December 19, 2008 between Registrant and MidCap Funding I, LLC.
10.114	Intellectual Property Security Agreement dated December 19, 2008 between Avid Bioservices, Inc. and MidCap Funding I, LLC.
10.115	Intellectual Property Security Agreement dated December 19, 2008 between Registrant and MidCap Funding I, LLC.
10.116	Warrant to purchase 507,614 shares of Common Stock of Registrant issued to BlueCrest Capital Finance, L.P. dated December 9, 2008.
10.117	Warrant to purchase 1,184,433 shares of Common Stock of Registrant issued to MidCap Funding I, LLC dated December 9, 2008.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

PEREGRINE PHARMACEUTICALS, INC.

Date: March 11, 2009

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

Date: March 11, 2009

By: /s/ PAUL J. LYTLE
Paul J. Lytle
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 10.111

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "**Agreement**") dated as of December 9, 2008 (the "**Effective Date**") among **BLUECREST CAPITAL FINANCE, L.P**., a Delaware limited partnership ("**BlueCrest**"), the other Lenders listed on Schedule 1.1 hereof and otherwise party hereto, and BlueCrest in its capacity as agent for the Lenders (the "**Agent**"), BlueCrest in its capacity as lead arranger (in such capacity, the "**Arranger**"), and **PEREGRINE PHARMACEUTICALS, INC.**, a Delaware corporation ("**Peregrine**"), and **AVID BIOSERVICES, INC**., a Delaware corporation ("**Avid**," and together with Peregrine, jointly and severally, individually and collectively, referred to as "**Borrower**"), provides the terms on which Lenders shall lend to Borrower and Borrower shall repay Lenders. The parties agree as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay Lenders the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Growth Capital Advances.

(a) Availability. Subject to the terms and conditions of this Agreement, during the Growth Capital Draw Period, Lenders agree, severally and not jointly, to make advances to Borrower (each a "**Growth Capital Advance**" and, collectively, the "**Growth Capital Advances**") not exceeding the Growth Capital Line according to each Lender's pro-rata share of the Growth Capital Line (based upon the respective Commitment Percentage of each Lender). After repayment, no Growth Capital Advance may be reborrowed. The Growth Capital Advances shall be available in two tranches. The first tranche ("**Tranche One**") shall be in an amount equal to Five Million Dollars ($5,000,000) and shall be advanced within ten (10) calendar days after the Effective Date. The second tranche ("**Tranche Two**") shall be in an amount equal to Five Million Dollars ($5,000,000) and shall be available to be advanced only within the fifteen (15) Business Day period following the satisfaction of the following conditions, but shall not be advanced after the Growth Capital Commitment Termination Date:

(i) Peregrine receives (in cash) at least (x) $7,500,000 in gross proceeds from the issuance of new equity after the Effective Date or (y) ********** in net proceeds from the sale of Avid;

(ii) the interim results from either (x) the Phase II bavituximab and carboplatin breast cancer study or (y) the Phase II bavituximab and carboplatin lung cancer study meet the predetermined response rate sufficient to continue Stage B enrollment as specified in the respective clinical protocol for such study, and proven to the reasonable satisfaction of Agent; and

(iii) no Default or Event of Default has occurred or is continuing.

(c) Repayment. Commencing on the seventh (7^{th}) Interest Payment Date for each Growth Capital Advance, and on each Interest Payment Date thereafter, Borrower shall pay to Lenders as a principal payment under such Growth Capital Advance outstanding an amount equal to the "Amortization Payment" (defined below) as an amortization payment in respect of such Growth Capital Advance. The term "**Amortization Payment**" means the principal payment based upon a straight-line amortization of equal monthly principal payments through the Growth Capital Line Maturity Date. The final payment of all unpaid principal and accrued interest is due and payable in full on the Growth Capital Line Maturity Date.

(d) Mandatory Prepayment Upon an Acceleration. If the Growth Capital Advances are accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Lenders an amount equal to the sum of (i) all outstanding principal plus accrued and unpaid interest, (ii) the Final Payment, (iii) the Prepayment Fee, and (iv) all other sums, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts.

Portions identified with an asterisk (*) have been omitted pursuant to a request of confidentiality filed separately with the Commission.

(e) Permitted Prepayment of Growth Capital Advances. So long as no Event of Default has occurred and is continuing, Borrower shall have the option to prepay all, but not less than all, of the Growth Capital Advances advanced by Lenders under this Agreement, provided Borrower (i) delivers written notice to Agent of its election to prepay the Growth Capital Advances at least thirty (30) days prior to such prepayment, and (ii) pays to Lenders, on the date of such prepayment (A) all outstanding principal plus accrued and unpaid interest, (B) the Final Payment, (C) the Prepayment Fee, and (D) all other sums, if any, that shall have become due and payable, including interest at the Default Rate with respect to any past due amounts. Notwithstanding the foregoing, Lenders shall waive fifty percent (50%) of the Prepayment Fee in the event Borrower refinances all of the Obligations within thirty (30) days after Lenders' demand for Borrower to pay increased costs or additional costs pursuant to Section 2.4 hereof.

2.2 Payment of Interest on the Credit Extensions.

(a) Computation of Interest. Interest on the Credit Extensions and all fees payable hereunder shall be computed on the basis of a 360-day year and the actual number of days elapsed in the period during which such interest accrues. In computing interest on any Credit Extension, the date of the making of such Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

(b) Interest Payments. Subject to the provisions of Sections 2.2(c) and 3.5 below, each Growth Capital Advance shall bear interest on the outstanding principal amount thereof from the date when made until paid in full at a rate per annum equal to (i) the greater of (A) the LIBOR Rate in effect for the applicable Interest Period or (B) three percent (3%), plus (ii) the LIBOR Rate Margin, adjusted on the first day of each Interest Period and fixed for the duration of each such Interest Period. Pursuant to the terms hereof, interest on each Growth Capital Advance shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any prepayment of any Growth Capital Advance pursuant to this Agreement for the portion of any Growth Capital Advance so prepaid and upon payment (including prepayment) in full thereof. All accrued but unpaid interest on the Growth Capital Advances shall be due and payable on the Growth Capital Line Maturity Date.

(c) Default Interest. After and during the continuation of an Event of Default, Obligations shall bear interest of five percent (5.00%) above the rate that is otherwise applicable thereto (the "**Default Rate**"). Payment or acceptance of the increased interest rate provided in this Section 2.2(c) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Agent or Lenders.

(d) Debit of Accounts. Lenders may debit any of Borrower's deposit accounts, including the Designated Deposit Account, for principal and interest payments when due, or any other amounts Borrower owes Lenders under the Loan Documents, when due. These debits shall not constitute a set-off.

(e) Payments. Unless otherwise provided, interest is payable monthly on each Interest Payment Date. Payments of principal and/or interest received after 12:00 noon Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest, as applicable, shall continue to accrue. All payments to be made by Borrower hereunder or under any other Loan Document, including payments of principal and interest made hereunder and pursuant to any other Loan Document, and all fees, expenses, indemnities and reimbursements, shall be made without set-off, recoupment or counterclaim, in lawful money of the United States and in immediately available funds. All payments required under this Agreement are to be made directly to Lenders.

(f) Maximum Lawful Rate. In no event shall the interest charged hereunder, with respect to the notes (if any) or any other obligations of Borrower under any Loan Documents exceed the maximum amount permitted under the Laws of the State of Maryland or of any other applicable jurisdiction. Notwithstanding anything to the contrary herein or elsewhere, if at any time the rate of interest payable hereunder or under any note or other Loan Document (the "**Stated Rate**") would exceed the highest rate of interest permitted under any applicable Law to be charged (the "**Maximum Lawful Rate**"), then for so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable shall be equal to the Maximum Lawful Rate; *provided*, *however*, that if at any time thereafter the Stated Rate is less than the Maximum Lawful Rate, Borrower shall, to the extent permitted by Law, continue to pay interest at the Maximum Lawful Rate until such time as the total interest received is equal to the total interest which would have been received had the Stated Rate been (but for the operation of this provision) the interest rate payable. Thereafter, the interest rate payable shall be the Stated Rate unless and until the Stated Rate again would exceed the Maximum Lawful Rate, in which event this provision shall again apply. In no event shall the total interest received by any Lender exceed the amount which it could lawfully have received, had the interest been calculated for the full term hereof at the Maximum Lawful Rate. If, notwithstanding the prior sentence, any Lender has received interest hereunder in excess of the Maximum Lawful Rate, such excess amount shall be applied to the reduction of the principal balance of the Growth Capital Advances or to other amounts (other than interest) payable hereunder, and if no such principal or other amounts are then outstanding, such excess or part thereof remaining shall be paid to Borrower. In computing interest payable with reference to the Maximum Lawful Rate applicable to any Lender, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate *divided by* the number of days in the year in which such calculation is made.

2.3 Fees. Borrower shall pay to Lenders:

(a) Commitment Fee. A fully earned, non-refundable commitment fee of (i) $50,000 in regard to Tranche One, due and payable on the Effective Date, and (ii) $50,000 in regard to Tranche Two (the "Tranche Two Commitment Fee") due and payable on the earliest to occur of (A) the funding of Tranche Two or (B) June 30, 2009 (if the condition in Section 2.1.1(a)(ii) has been met prior to such date); provided, however, that the Tranche Two Commitment Fee shall be waived if the condition in Section 2.1.1(a)(ii) has not been met prior to June 30, 2009;

(b) Prepayment Fee. The Prepayment Fee, when due hereunder;

(c) Final Payment. The Final Payment, when due hereunder; and

(d) Lenders' Expenses. All Lenders' Expenses (including reasonable attorneys' fees and expenses, plus expenses, for documentation and negotiation of this Agreement) incurred through and after the Effective Date, within ten (10) Business Days following written demand therefor, net of the $50,000 deposit previously paid by Borrower.

2.4 Additional Costs. If any new Law or regulation increases Lender's costs or reduces its income for any loan, Borrower shall pay the increase in cost or reduction in income or additional expense; provided, however, that Borrower shall not be liable for any amount attributable to any period before 180 days prior to the date Agent notifies Borrower of such increased costs. Each Lender agrees that it shall allocate any increased costs among its customers similarly affected in good faith and in a manner consistent with such Lender's customary practice.

2.5 Payments and Taxes. Any and all payments made by Borrower under this Agreement or any Loan Documents shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any governmental authority (including any interest, additions to tax or penalties applicable thereto) other than any taxes imposed on or measured by any Lender's overall net income and franchise taxes imposed on it (in lieu of net income taxes), by a jurisdiction (or any political subdivision thereof) as a result of any Lender being organized or resident, conducting business (other than a business deemed to arise from such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, or otherwise with respect to, this Agreement or any Loan Documents) or having its principal office in such jurisdiction ("**Indemnified Taxes**"). If any Indemnified Taxes shall be required by Law to be withheld or deducted from or in respect of any sum payable under this Agreement or any Loan Documents to any Lender (w) an additional amount shall be payable as may be necessary so that, after making all required withholdings or deductions (including withholdings or deductions applicable to additional sums payable under this Section) such Lender receives an amount equal to the sum it would have received had no such withholdings or deductions been made, (x) Borrower shall make such withholdings or deductions, (y) Borrower shall pay the full amount withheld or deducted to the relevant taxing authority or other authority in accordance with applicable Law and (z) Borrower shall deliver to such Lender evidence of such payment. Borrower's obligation hereunder shall survive the termination of this Agreement.

3 CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Each Lender's obligation to make the initial Credit Extension is subject to the condition precedent that Borrower shall consent to or shall have delivered, in form and substance satisfactory to Lenders, such documents, and completion of such other matters, as Lenders may reasonably deem necessary or appropriate, including, without limitation:

(a) Agent shall have received duly executed original signatures to the Loan Documents to which Borrower is a party;

(b) Agent shall have received duly executed original signatures to the Control Agreement[s];

(c) Agent shall have received Operating Documents and a good standing certificate of Borrower certified by the Secretary of State of the State of Delaware as of a date no earlier than thirty (30) days prior to the Effective Date;

(d) Agent shall have received duly executed original signatures to the completed Borrowing Resolutions for Borrower;

(e) Agent shall have received certified copies, dated as of a recent date, of financing statement searches, as Agent shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(f) Agent shall have received the Perfection Certificate executed by Borrower;

(g) Agent shall have received a legal opinion of Borrower's counsel dated as of the Effective Date together with the duly executed original signatures thereto;

(h) BlueCrest shall have (i) assigned to another Lender (the "**Assignee Lender**") a seventy percent (70%) Commitment Percentage under the Growth Capital Line and all rights, remedies and obligations in connection therewith, and resigned as Agent and agreed to permit such Assignee Lender to become the Agent and Arranger;

(i) Agent shall have received payment of the fees and Lenders' Expenses then due as specified in Section 2.3 hereof; and

(j) Agent shall have received evidence, satisfactory to Agent, that all Liens set forth in clause (l) of the definition of "Permitted Liens" have been terminated.

3.2 Conditions Precedent to all Credit Extensions. The obligation of each Lender to make each Credit Extension, including the initial Credit Extension, is subject to the following:

(a) (i) Agent's receipt of a promissory note or promissory notes, as the case may be, in substantially the form agreed upon by the parties hereto as of the Effective Date, executed by Borrower in favor of each Lender (one promissory note per Lender) with a face amount equal to the portion of the applicable Credit Extension to be funded by the applicable Lender, and (ii) except as otherwise provided in Section 3.4, timely receipt of an executed Advance Request Form;

(b) the representations and warranties in Section 5 shall be true, correct and complete in all material respects on the date of the Advance Request Form and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Default or Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in Section 5 remain true in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date; and

(c) in such Lender's sole discretion, there has not been any material impairment in the general affairs, management, results of operation, financial condition or the prospect of repayment of the Obligations, nor has there been any material adverse deviation by Borrower from the most recent business plan of Borrower presented to and accepted by Agent.

3.3 Covenant to Deliver. Borrower agrees to deliver to Agent each item required to be delivered to Agent under this Agreement as a condition to any Credit Extension. Borrower expressly agrees that the extension of a Credit Extension prior to the receipt by Agent of any such item shall not constitute a waiver by Lenders of Borrower's obligation to deliver such item, and any such extension in the absence of a required item shall be in Agent's sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of a Growth Capital Advance set forth in this Agreement, to obtain a Growth Capital Advance, Borrower shall notify Agent (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 noon Eastern time five (5) Business Days prior to the date the Growth Capital Advance is to be made. Together with any such electronic or facsimile notification, Borrower shall deliver to Agent by electronic mail or facsimile a completed Advance Request Form executed by a Responsible Officer or his or her designee. Upon receipt of an Advance Request Form, Agent shall promptly provide a copy of the same to each Lender. Agent may rely on any telephone notice given by a person whom such Agent believes is a Responsible Officer or designee. On the Funding Date, each Lender shall credit and/or transfer (as applicable) to Borrower's Designated Deposit Account, an amount equal to its Commitment Percentage multiplied by the amount of the Growth Capital Advance. Each Lender may make Growth Capital Advances under this Agreement based on instructions from a Responsible Officer or his or her designee or without instructions if the Growth Capital Advances are necessary to meet Obligations which have become due.

3.5 Special Provisions Governing Growth Capital Advances.

Notwithstanding any other provision of this Agreement to the contrary, the following provisions shall govern with respect to the matters covered:

(a) Determination of Applicable Interest Rate. As soon as practicable on each Interest Rate Determination Date, Agent shall determine (which determination shall, absent manifest error in calculation, be final, conclusive and binding upon all parties) the interest rate that shall apply to the Growth Capital Advances for which an interest rate is then being determined for the applicable Interest Period and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to Borrower.

(b) No Breakage Fees. Borrower shall not incur any breakage fees associated with the prepayment of Growth Capital Advances on a day that is not the last day of the relevant Interest Period.

(c) Inability to Determine Applicable Interest Rate. In the event that Agent shall have determined (which determination shall be final and conclusive and binding upon all parties hereto), on any Interest Rate Determination Date with respect to any Growth Capital Advance, that adequate and fair means do not exist for ascertaining the interest rate applicable to such Growth Capital Advance on the basis provided for in the definition of LIBOR Rate, then Agent may select a comparable replacement index and corresponding margin.

4 CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Agent, for the ratable benefit of the Lenders, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Agent, for the ratable benefit of the Lenders, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority security interest in the Collateral (subject only to Permitted Liens that may have superior priority under this Agreement). If Borrower shall acquire a commercial tort claim (as defined in the Code), Borrower shall promptly notify Agent in a writing signed by Borrower of the general details thereof (and further details as may be required by Agent) and grant to Agent, for the ratable benefit of the Lenders, in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Agent. If this Agreement is terminated, Agent's Lien in the Collateral shall continue until the Obligations are repaid in full in cash. Upon payment in full in cash of the Obligations and at such time as the Lenders' obligation to make Credit Extensions has terminated, the Agent, at Borrower's sole cost and expense, shall release its Liens in the Collateral and all rights therein shall revert to Borrower.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Agent to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Agent's and each Lender's interest or rights hereunder, including a notice that any disposition of the Collateral, by either Borrower or any other Person, shall be deemed to violate the rights of the Agent and the Lenders under the Code.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Due Organization and Authorization. Borrower and each of its Subsidiaries, if any, are duly existing and in good standing, as Registered Organizations in their respective jurisdictions of formation and are qualified and licensed to do business and are in good standing in any jurisdiction in which the conduct of their business or their ownership of property requires that they be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business. In connection with this Agreement, Borrower has delivered to Agent a completed perfection certificate signed by Borrower (the "Perfection Certificate"). Borrower represents and warrants that (a) Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower's organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower's place of business, or, if more than one, its chief executive office as well as Borrower's mailing address (if different than its chief executive office); (e) Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type (except for changes to its authorized capital and the establishment of a stockholders' rights plan), or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement). If Borrower is not now a Registered Organization but later becomes one, Borrower shall promptly notify Agent of such occurrence and provide Agent with Borrower's organizational identification number.

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect) or are being obtained pursuant to Section 6.1(b), or (v) nor constitute an event of default under any material agreement by which Borrower is bound. Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower's business.

5.2 Collateral.

(a) Borrower has good title to, has rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no Collateral Accounts other than the Collateral Accounts with Agent, the Collateral Accounts, if any, described in the Perfection Certificate, or of which Borrower has given Agent notice and taken such actions as are necessary to give Agent for the ratable benefit of all Lenders a perfected security interest therein.

(b) The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as Borrower has given Agent notice pursuant to Section 7.2. In the event that Borrower, after the date hereof, intends to store or otherwise deliver any portion of the Collateral to a bailee, then Borrower will first receive the written consent of Agent and such bailee must execute and deliver a bailee agreement in form and substance satisfactory to Agent in its sole discretion.

(c) All Inventory is in all material respects of good and marketable quality, free from material defects.

(d) All of Borrower's Material Intellectual Property, including all licenses under which Borrower is the licensee of any such Material Intellectual Property owned by another Person, are set forth on Schedule 5.2. Such Schedule 5.2 indicates in each case the expiration date of such Material Intellectual Property and whether such Material Intellectual Property (or application therefor) is owned or licensed by Borrower, and in the case of any such licensed Material Intellectual Property, lists the name and address of the licensor and the name and date of the agreement pursuant to which such item of Material Intellectual Property is licensed, the expiration date of such license and the expiration date of the underlying Material Intellectual Property, whether or not such license is an exclusive license and whether there are any purported restrictions in such license on the ability to Borrower to grant a security interest in and/or to transfer any of its rights as a licensee under such license.

5.3 Litigation. Except as set forth in Schedule 5.3 and except for actions or proceedings in regard to which Agent has received notice under Section 6.2(a)(iv), there are no actions or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than One Hundred Thousand Dollars ($100,000.00).

5.4 No Material Deviation in Financial Statements. All consolidated financial statements for Borrower and any of its Subsidiaries delivered to Agent fairly present, in conformity with GAAP, in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Agent.

5.5 Solvency. The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.6 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" or a "subsidiary" of an "investment company" under the Investment Company Act of 1940. Borrower is not engaged in extending credit for margin stock (under Regulations T and U of the Federal Reserve Board of Governors). Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Neither Borrower nor any of its Subsidiaries is a "holding company" or an "affiliate" or a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Borrower has not violated any Laws, ordinances or rules, the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower's or any of its Subsidiaries' properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower has obtained all Required Permits, or has contracted with third parties holding Required Permits, necessary for compliance with all Laws and all such Required Permits are current. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

None of the Borrower, its Affiliates or any of their respective agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement is (i) in violation of any Anti-Terrorism Law, (ii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law, or (iii) is a Blocked Person. Neither Borrower nor, to the knowledge of Borrower, any of its Affiliates or agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement, (x) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (y) deals in, or otherwise engages in any transaction relating to, any property or interest in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law.

5.7 Subsidiaries; Investments. Borrower does not own any stock, partnership interest or other equity securities except for Permitted Investments.

5.8 Tax Returns and Payments; Pension Contributions. Borrower has timely filed all required tax returns and reports (including those relating to employee tax withholding, social security and unemployment taxes), and Borrower and its Subsidiaries have timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower. Borrower may defer payment of any contested taxes, provided that Borrower (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Agent in writing of the commencement of, and any material development in, the proceedings, (c) posts bonds or takes any other steps required to prevent the governmental authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien". Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could result in additional taxes becoming due and payable by Borrower. Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.9 Use of Proceeds. Borrower shall use the proceeds of the Credit Extensions solely as working capital

5.10 Full Disclosure. No written representation, warranty or other statement of Borrower in any certificate or written statement given to Agent or any Lender, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Agent or any Lender, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.11 Regulatory Developments.

(a) All Products and all Required Permits are listed on Schedule 5.11 (as updated from time to time pursuant to Section 6.2(d)), and Borrower has delivered to Agent a copy of all Required Permits to the extent requested by Agent pursuant to Section 6.2(d);

(b) Without limiting the generality of Section 5.6 above, with respect to any Product being tested or manufactured by Borrower, Borrower has received, and such Product is the subject of, all Required Permits needed in connection with the testing or manufacture of such Product as such testing is currently being conducted by or on behalf of Borrower, and Borrower has not received any notice from any applicable Governmental Authority, specifically including the FDA, that such Governmental Authority is conducting an investigation or review of (A) Borrower's manufacturing facilities and processes for such Product which have disclosed any material deficiencies or violations of Laws and/or the Required Permits related to the manufacture of such Product, or (B) any such Required Permit or that any such Required Permit has been revoked or withdrawn, nor has any such Governmental Authority issued any order or recommendation stating that the development, testing and/or manufacturing of such Product by Borrower should cease;

(c) Without limiting the generality of Section 5.6 above, with respect to any Product marketed or sold by Borrower, Borrower shall have received, and such Product is the subject of, all Required Permits needed in connection with the marketing and sales of such Product as currently being marketed or sold by Borrower, and Borrower has not received any notice from any applicable Governmental Authority, specifically including the FDA, that such Governmental Authority is conducting an investigation or review of any such Required Permit or approval or that any such Required Permit has been revoked or withdrawn, nor has any such Governmental Authority issued any order or recommendation stating that such marketing or sales of such Product cease or that such Product be withdrawn from the marketplace;

(d) Without limiting the generality of Section 5.6 above, (i) there have been no adverse clinical test results which could cause a Material Adverse Change, and (ii) there have been no Product recalls or voluntary Product withdrawals from any market; and

(e) Borrower has not (since the Effective Date) experienced any significant failures in their manufacturing of any Product such that the amount of such Product successfully manufactured by Borrower in accordance with all specifications thereof and the required payments related thereto in any month shall decrease significantly with respect to the quantities of such Product produced in the prior month.

6 AFFIRMATIVE COVENANTS

Until all Obligations have been satisfied in full and Lenders are under no further obligation to make Credit Extensions hereunder, Borrower shall do all of the following:

6.1 Government Compliance.

(a) Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply, with all Laws, ordinances and regulations to which it is subject, the noncompliance with which could have a material adverse effect on Borrower's business.

(b) Use commercially reasonable efforts to obtain all of the Governmental Approvals necessary for the performance by Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Agent for the ratable benefit of the Lenders, in all of its property. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Agent.

(c) In connection with the development, testing, manufacture, marketing or sale of each and any Product by Borrower, Borrower shall comply fully and completely in all respects with all Required Permits at all times issued by any Governmental Authority the noncompliance with which could have a material adverse effect on Borrower's business, specifically including the FDA, with respect to such development, testing, manufacture, marketing or sales of such Product by Borrower as such activities are at any such time being conducted by Borrower.

6.2 Financial Statements, Reports, Certificates.

(a) Deliver to Agent: (i) as soon as available, but no later than five (5) days after filing with the Securities Exchange Commission, Peregrine's 10K, 10Q, and 8K reports; (ii) a Compliance Certificate together with delivery of the 10K and 10Q reports; (iii) within 60 days after the end of each fiscal year, annual financial projections for the following fiscal year (on a quarterly basis) as approved by Peregrine's board of directors, together with any related business forecasts used in the preparation of such annual financial projections; (iv) a prompt report of any litigation or governmental proceedings pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of $100,000 or more or could result in a Material Adverse Change; (v) prompt notice of an event that materially and adversely affects the value of the Borrower's Intellectual Property; and (vi) budgets, sales projections, operating plans or other financial information Agent reasonably requests. Peregrine's 10K, 10Q, and 8K reports required to be delivered pursuant to Section 6.2(a)(i) shall be deemed to have been delivered on the date on which Peregrine posts such report or provides a link thereto on Borrower's or another website on the Internet; provided, that Borrower shall provide paper copies to Agent of the Compliance Certificates required by Section 6.2(a)(ii).

(b) Borrower will keep proper books of record and account in accordance with GAAP in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities. Borrower shall allow, at the sole cost of Borrower, Agent, and Lenders to visit and inspect any of its properties, to examine and make abstracts or copies from any of their respective books and records, to conduct a collateral audit and analysis of its operations and the Collateral, to verify the amount and age of the accounts, the identity and credit of the respective account debtors, to review the billing practices of Borrower and to discuss its respective affairs, finances and accounts with their respective officers, employees and independent public accountants as often as may reasonably be desired. Notwithstanding the foregoing, such audits shall be conducted at Borrower's expense no more often than once every twelve (12) months unless an Event of Default has occurred and is continuing.

(c) Borrower shall deliver to Agent an updated Schedule 5.2 promptly upon Borrower's acquisition or development of any Material Intellectual Property not already listed on Schedule 5.2 and upon any other material change in Borrower's Material Intellectual Property from that listed on Schedule 5.2.

(d) If after the Effective Date, Borrower wishes to manufacture, sell, develop, test or market any new Product, Borrower shall give prior written notice to Agent of such intention (which shall include a brief description of such Product, plus a list of all Required Permits relating to such new Product (and a copy of such Required Permits if requested by Agent) and/or Borrower's manufacture, sale, development, testing or marketing thereof issued or outstanding as of the date of such notice) along with a copy of an amended and restated Schedule 5.11; and *further, provided*, that, if Borrower shall at any time obtain any new or additional Required Permits from the FDA, DEA, or parallel state or local authorities, or foreign counterparts of the FDA, DEA, or parallel state or local authorities, with respect to any Product which has previously been disclosed to Agent, Borrower shall promptly give written notice to Agent of such new or additional Required Permits (along with a copy thereof if requested by Agent).

6.3 Inventory; Returns. Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower and its Account Debtors shall follow Borrower's customary practices as they exist at the Effective Date. Borrower must promptly notify Agent of all returns, recoveries, disputes and claims that involve more than One Hundred Thousand Dollars ($100,000).

6.4 Taxes; Pensions. Make, and cause each of its Subsidiaries to make, timely payment of all foreign, federal, state, and local taxes or assessments (other than taxes and assessments which Borrower is contesting pursuant to the terms of Section 5.8 hereof) and shall deliver to Agent, within a reasonable period of time (not to exceed five (5) Business Days) following demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.5 Insurance. Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Agent may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Agent. All property policies shall have a lender's loss payable endorsement showing Agent as lender loss payee and waive subrogation against Agent, and all liability policies shall show, or have endorsements showing, the Agent, as an additional insured. All policies (or the loss payable and additional insured endorsements) shall provide that the insurer must give Agent at least twenty (20) days notice before canceling, amending, or declining to renew its policy. At Agent's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy with respect to any casualty event involving the Collateral shall, at Lenders' option, be payable to Lenders on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to $50,000 with respect to any loss, but not exceeding $100,000, in the aggregate, for all losses under all casualty policies in any one year, toward the replacement or repair of destroyed or damaged Collateral; provided that any such replaced or repaired Collateral (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Agent and Lenders have been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy with respect to any casualty event involving the Collateral shall, at the option of Lenders, be payable to Lenders on account of the Obligations. If Borrower fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons and Agent, Agent may make all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Agent deems prudent.

6.6 Operating Accounts. For each Collateral Account that Borrower at any time maintains with institutions other than Agent, provided the Borrower received prior consent from the Agent, Borrower shall cause the applicable bank or financial institution (other than Agent) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Agent's Lien in such Collateral Account in accordance with the terms hereunder. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Agent by Borrower as such.

6.7 Intellectual Property Rights. Borrower shall own, or be licensed to use or otherwise have the right to use, all Material Intellectual Property. Except as indicated on Schedule 5.2, Borrower is and all times shall be the sole and exclusive owner or licensee of the entire and unencumbered right, title and interest in and to each such Material Intellectual Property, free and clear of any Liens and/or licenses in favor of third parties or agreements or covenants not to sue such third parties for infringement. All Material Intellectual Property is and shall be fully protected and/or duly and properly registered, filed or issued in the appropriate office and jurisdictions for such registrations, filings or issuances, except where the failure to do so would not reasonably be expected to result in a Material Adverse Change. Borrower shall not become a party to, nor become bound by, any material license or other agreement with respect to which Borrower is the licensee that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or other property. Borrower shall, to the extent it determines, in the exercise of its reasonable business judgment, that it is prudent to do the following: (a) protect, defend and maintain the validity and enforceability of its Intellectual Property; (b) promptly advise Agent in writing of material infringements of its Intellectual Property; and (c) not allow any Material Intellectual Property to be abandoned, forfeited or dedicated to the public without Agent's prior written consent. Within ten (10) days after the end of each calendar quarter, Borrower shall provide written notice to Agent of (i) any patent, registered trademark or servicemark, registered mask work, or any pending application for any of the foregoing, obtained by Borrower, whether as owner, licensee or otherwise, and (ii) any patent or the registration of any trademark or servicemark applied for by Borrower, and Borrower shall execute such intellectual property security agreements and other documents and take such other actions as Agent shall request in its good faith business judgment to perfect and maintain a first priority security interest in favor of Agent, for the ratable benefit of Lenders, in such property. If Borrower obtains any registered copyright or any pending application for any copyright, then Borrower shall immediately provide written notice thereof to Agent and shall execute such intellectual property security agreements and other documents and take such other actions as Agent shall request in its good faith business judgment to perfect and maintain a first priority security interest in favor of Agent, for the ratable benefit of Lenders, in such property. If Borrower decides to register any copyrights or mask works in the United States Copyright Office, Borrower shall: (x) provide Agent with at least fifteen (15) days prior written notice of Borrower's intent to register such copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) execute an intellectual property security agreement and such other documents and take such other actions as Agent may request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of Agent, for the ratable benefit of the Lenders, in the copyrights or mask works intended to be registered with the United States Copyright Office; and (z) record such intellectual property security agreement with the Untied States Copyright Office contemporaneously with filing the copyright or mask work application(s) with the United States Copyright Office. Concurrently with the delivery of the notices required under this Section 6.7 for the applications described above, Borrower shall provide Agent with evidence of the recording of the intellectual property security agreement necessary for Agent, for the ratable benefit of the Lenders, to perfect and maintain a first priority perfected security interest in such property.

6.8 Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to Agent, without expense to Agent, Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Agent may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Agent with respect to any Collateral or relating to Borrower.

6.9 Further Assurances. Execute any further instruments and take further action as Agent reasonably requests to perfect or continue Agent's Lien in the Collateral or to effect the purposes of this Agreement. Deliver to Agent, within five (5) days after the same are sent or received, copies of all correspondence, reports, documents and other filings with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Requirements of Law or that could reasonably be expected to have a material effect on any of the Governmental Approvals or otherwise on the operations of Borrower or any of its Subsidiaries. For the avoidance of doubt, the foregoing requirement to deliver copies of correspondence shall not apply to filings and communications with the FDA respecting protocols for clinical trials that have yet to commence.

6.10 Notices of Defaults and Events of Default. Without limiting or contradicting any other more specific provision of this Agreement, promptly (and in any event within three (3) Business Days) upon Borrower becoming aware of the existence of any Default or Event of Default, Borrower shall give written notice to Agent of such occurrence, which such notice shall include a reasonably detailed description of such Default or Event of Default.

6.11 Cash and Cash Equivalents. In the event of the termination of or other material adverse change to Borrower's current contract with the U.S. Department of Defense for the study of bavituximab in treating viral hemorrhagic fever, Borrower shall be required at all times thereafter to maintain cash and Cash Equivalents of at least eighty percent (80%) of the then outstanding principal balance under the Growth Capital Advances in a restricted account over which Borrower shall not be permitted to make withdrawals or otherwise exercise control, and with respect to which Borrower has complied with the requirements of Section 6.6.

6.12 Evidence of Insurance. Within ten (10) days after the Effective Date, Borrower shall deliver to Agent evidence that the insurance policies required by Section 6.5 hereof are in full force and effect, together with appropriate evidence showing lender loss payable and/or additional insured clauses or endorsements in favor of Agent, for the ratable benefit of the Lenders.

6.13 Landlord Waiver. Within forty-five (45) days after the Effective Date, Peregrine shall deliver to Agent a landlord's consent acceptable to Agent and executed in favor of Agent, for the ratable benefit of the Lenders, for Peregrine's leased premises at 14282 Franklin Avenue, Tustin, California 92780 and 5353 W. Alabama, Suite 306, Houston, Texas 77056.

7 NEGATIVE COVENANTS

Until all Obligations have been satisfied in full and Agent and Lenders are under no further obligation to make Credit Extensions hereunder, Borrower shall not do any of the following without Agent's prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment; (c) in connection with Permitted Liens and Permitted Investments; and (d) comprised of the sale of the capital stock of Avid by Peregrine or the sale of all or substantially all of Avid's assets so long as in either case Peregrine receives at least ********** in upfront net cash proceeds from such sale (the "**Permitted Avid Transaction**"). Agent and Lenders hereby agree to release the Avid Liens, at Borrower's expense, upon the closing of the Permitted Avid Transaction.

7.2 Changes in Business, Management, Ownership, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve; or (c) permit or suffer any Change in Control (except a change in ownership of Avid in connection with the Permitted Avid Transaction). Borrower shall not, without at least thirty (30) days prior written notice to Agent: (1) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Twenty Five Thousand Dollars ($25,000) in Borrower's assets or property), (2) change its jurisdiction of organization, (3) change its organizational type, (4) change its legal name, or (5) change any organizational number (if any) assigned by its jurisdiction of organization. Borrower shall deliver a landlord's waiver, bailee agreement or similar agreement, in form and substance acceptable to Agent in its reasonable discretion, for any location that contains greater than Twenty Five Thousand Dollars ($25,000) in assets (other than in regard to 8858 Rochester Avenue, Rancho Cucamonga, California).

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person, except for the Permitted Avid Transaction. A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Agent) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's Intellectual Property, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Liens" herein. For the avoidance of doubt, the foregoing provision shall not prohibit the Borrower from in-licensing Intellectual Property.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.6 hereof.

7.7 Distributions; Investments. (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock provided that (i) Borrower may pay dividends solely in common stock or preferred stock to the extent permitted under clause (g) of the definition of "Permitted Indebtedness" in Section 13.1 below, and (ii) Borrower may repurchase the stock of former employees or consultants pursuant to stock repurchase agreements so long as no Default or Event of Default exists at the time of such repurchase and would exist after giving effect to such repurchase, provided such repurchases do not exceed in the aggregate Fifty Thousand Dollars ($50,0000) in any twelve-month period, or (b) directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for transactions that are in the ordinary course of Borrower's business upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof or adversely affect the subordination thereof to Obligations owed to the Lenders.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other Law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

7.11 Compliance with Anti-Terrorism Laws. Agent hereby notifies Borrower that pursuant to the requirements of Anti-Terrorism Laws, and Agent's policies and practices, Agent is required to obtain, verify and record certain information and documentation that identifies Borrower and its principals, which information includes the name and address of Borrower and its principals and such other information that will allow Agent to identify such party in accordance with Anti-Terrorism Laws. Borrower will not, nor will Borrower permit any Subsidiary or Affiliate to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. Borrower shall immediately notify Agent if Borrower has knowledge that Borrower or any Subsidiary or Affiliate is listed on the OFAC Lists or (a) is convicted on, (b) pleads *nolo contendere* to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering. Borrower will not, nor will Borrower permit any Subsidiary or Affiliate to, directly or indirectly, (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law, or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law.

7.12 Third Party Possession of Assets. Maintain assets with a value in excess of $750,000 at 8858 Rochester Avenue, Rancho Cucamonga, California.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date (provided, however, that if such failure results from a failure of an auto-debit to occur through no fault of Borrower, then no "Event of Default" shall be deemed to have occurred unless Borrower fails to make the applicable payment within two (2) Business Days after Borrower's receipt of notice from Agent of the failure of such auto-debit), or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day grace period shall not apply to payments due on the Growth Capital Line Maturity Date). During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Sections 6.1(c), 6.5, 6.6, 6.12, 6.13 or violates any covenant in Section 7;

(b) Borrower fails or neglects to perform any obligation in Sections 6.2 or 6.4 and fails to cure the default within five (5) days after the occurrence thereof; or

(c) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement, or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period).

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment. (a) Any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in ten (10) days; (b) the service of process seeking to attach, by trustee or similar process, any funds of Borrower, or of any entity under control of Borrower (including a Subsidiary), on deposit with the Lenders and/or Agent or an Affiliate; (c) Borrower is enjoined, restrained, or prevented by court order from conducting a material part of its business; (d) a judgment or other claim in excess of One Hundred Thousand Dollars ($100,000.00) becomes a Lien on any of Borrower's assets; or (e) a notice of lien, levy, or assessment is filed against any of Borrower's assets by any government agency and not paid within ten (10) days after Borrower receives notice. These are not Events of Default if stayed or if a bond is posted pending contest by Borrower (but no Credit Extensions shall be made during the cure period);

8.5 Insolvency. (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within forty five (45) days (but no Credit Extensions shall be made while of any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. (a) There is a default under the UTSW Agreement or any other agreement to which Borrower is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Fifty Thousand Dollars ($50,000) or that could have a material adverse effect on Borrower's business, (b) delivery of written notice by UT Southwestern to Borrower of an intended termination under Section 7.2 of the UTSW Agreement, or (c) the termination of the UTSW Agreement.

8.7 Judgments. One or more judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least One Hundred Thousand Dollars ($100,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower and shall remain unsatisfied, unvacated or unstayed for a period of ten (10) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction, vacation, or stay of such judgment, order, or decree);

8.8 Misrepresentations. Borrower or any Person acting for Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Agent and/or Lenders or to induce Agent and/or Lenders to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made; or

8.9 Subordinated Debt. A default or breach occurs under any agreement between Borrower and any creditor of Borrower that signed a subordination, intercreditor, or other similar agreement with Agent or Lenders, or any creditor that has signed such an agreement with Agent or Lenders breaches any terms of such agreement.

8.10 Governmental Approvals. Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) has, or could reasonably be expected to have, a Material Adverse Change, or (ii) adversely affects the legal qualifications of Borrower or any of its Subsidiaries to hold such Governmental Approval in any applicable jurisdiction and such revocation, rescission, suspension, modification or non-renewal could reasonably be expected to affect the status of or legal qualifications of Borrower or any of its Subsidiaries to hold any Governmental Approval in any other jurisdiction. For the avoidance of doubt, the foregoing covenant shall not apply to filings or communications with the FDA with respect to protocols for clinical trials that have yet to commence.

8.11 Withdrawals, Recalls, Adverse Test Results and Other Matters. (a) The institution of any proceeding by FDA or similar Governmental Authority to order the withdrawal of any Product or Product category from the market or to enjoin Borrower or any representative of Borrower from manufacturing, marketing, selling or distributing any Product or Product category, (b) the institution of any action or proceeding by any DEA, FDA, or any other Governmental Authority to revoke, suspend, reject, withdraw, limit, or restrict any Required Permit held by Borrower or any representative of Borrower, which, in each case, could cause a Material Adverse Change, (c) the commencement of any enforcement action against Borrower by DEA, FDA, or any other Governmental Authority, (d) the recall of any Products from the market, the voluntary withdrawal of any Products from the market, or actions to discontinue the sale of any Products, or (e) the occurrence of adverse test results in connection with a Product which could cause a Material Adverse Change.

8.12 Criminal Proceeding. The institution by any Governmental Authority of criminal proceedings against Borrower.

8.13 Lien Priority. Except as permitted by Agent, any Lien created hereunder or by any other Loan Document shall at any time fail to constitute a valid and perfected Lien on all of the Collateral purported to be secured thereby, subject to no prior or equal Lien.

9 RIGHTS AND REMEDIES

9.1 Rights and Remedies. While an Event of Default occurs and continues Agent may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Agent or Lenders);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Agent and/or Lenders;

(c) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Agent considers advisable, notify any Person owing Borrower money of Agent's and Lenders' security interest in such funds, and verify the amount of such account;

(d) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Agent requests and make it available as Agent designates. Agent may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Agent a license to enter and occupy any of its premises, without charge, to exercise any of Agent's rights or remedies;

(e) apply to the Obligations any (i) balances and deposits of Borrower it holds, or (ii) any amount held by Agent or Lenders owing to or for the credit or the account of Borrower;

(f) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Agent is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Agent's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Agent for the benefit of the Lenders;

(g) place a "hold" on any account maintained with Agent or Lenders and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(h) demand and receive possession of Borrower's Books; and

(i) exercise all rights and remedies available to Agent under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 Power of Attorney. Borrower hereby irrevocably appoints Agent as its lawful attorney-in-fact, exercisable only upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Agent determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Agent or a third party as the Code permits. Borrower hereby appoints Agent as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of Agent's and Lenders' security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Agent and Lenders are under no further obligation to make Credit Extensions hereunder. Agent's foregoing appointment as Borrower's attorney in fact, and all of Agent's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Agent's and Lenders' obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower fails to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document, Agent may obtain such insurance or make such payment, and all amounts so paid by Agent are Lenders' Expenses and immediately due and payable, bearing interest at the Default Rate, and secured by the Collateral. Agent will make reasonable efforts to provide Borrower with notice of Agent obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Agent are deemed an agreement to make similar payments in the future or Agent's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, (a) Borrower irrevocably waives the right to direct the application of any and all payments at any time or times thereafter received by Agent from or on behalf of Borrower of all or any part of the Obligations, and, as between Borrower on the one hand and Agent and Lenders on the other, Agent shall have the continuing and exclusive right to apply and to reapply any and all payments received against the Obligations in such manner as Agent may deem advisable notwithstanding any previous application by Agent, and (b) the proceeds of any sale of, or other realization upon all or any part of the Collateral shall be applied: first, to the Lenders Expenses; second, to accrued and unpaid interest on the Obligations (including any interest which, but for the provisions of the United States Bankruptcy Code, would have accrued on such amounts); third, to the principal amount of the Obligations outstanding; and fourth, to any other indebtedness or obligations of Borrower owing to Agent or any Lender under the Loan Documents. Any balance remaining shall be delivered to Borrower or to whoever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct. In carrying out the foregoing, (x) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category, and (y) each of the Persons entitled to receive a payment in any particular category shall receive an amount equal to its pro rata share of amounts available to be applied pursuant thereto for such category.

9.5 Liability for Collateral. So long as the Agent and Lenders comply with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of the Agent and Lenders, the Agent and Lenders shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Agent's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Agent thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Agent and then is only effective for the specific instance and purpose for which it is given. Agent's rights and remedies under this Agreement and the other Loan Documents are cumulative. Agent has all rights and remedies provided under the Code, by law, or in equity. Agent's exercise of one right or remedy is not an election, and Agent's waiver of any Event of Default is not a continuing waiver. Agent's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Agent on which Borrower is liable.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "**Communication**") by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Agent, any Lender or Borrower may change its address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower:

Peregrine Pharmaceuticals, Inc.
14282 Franklin Avenue
Tustin, California 92780
Attention: Paul Lytle

with a copy to (which shall not constitute notice):	Snell & Wilmer L.L.P. 600 Anton Boulevard, Suite 1400 Costa Mesa, California 92626-7689 Attention : Mark R. Ziebell
If to Agent or Lenders:	BlueCrest Capital Finance, L.P. 225 West Washington, Suite 200 Chicago, Illinois 60606 Attention: Mark King Phone: (312) 368-4978 Facsimile: (312) 443-0126
with a copy to (which shall not constitute notice):	Troutman Sanders LLP 1660 International Drive, 6th floor McLean, Virginia 22102 Attention: David J. Lawson

11 CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

Maryland Law governs the Loan Documents (other than the Warrant) without regard to principles of conflicts of law. Borrower, Lenders and Agent each submit to the exclusive jurisdiction of the State and Federal courts in Maryland. Notwithstanding the foregoing, nothing in this Agreement shall be deemed to operate to preclude Agent from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Agent and Lenders. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER, LENDERS AND AGENT EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12 GENERAL PROVISIONS

12.1 **Joint Liability.** Each Person included in the term “Borrower” hereby covenants and agrees with Agent and Lenders as follows:

(a) The Obligations include all present and future indebtedness, duties, obligations, and liabilities under the Loan Documents, whether now existing or contemplated or hereafter arising, of any one or more of the Persons included in the term “Borrower”.

(b) Reference in this Agreement and the other Loan Documents to the “Borrower” or otherwise with respect to any one or more of the Persons now or hereafter included in the definition of “Borrower” shall mean each and every such Person and any one or more of such Persons, jointly and severally, unless the context requires otherwise.

(c) Each Person included in the term “Borrower” in the discretion of its respective management is to agree among themselves as to the allocation of the benefits of the proceeds of the Credit Extensions, provided, however, that each such Person shall be deemed to have represented and warranted to Agent and Lenders at the time of allocation that each benefit and use of proceeds is permitted under this Agreement.

(d) Neither Agent nor any Lender assumes any responsibility or liability for any errors, mistakes, and/or discrepancies in the oral, telephonic, written or other transmissions of any instructions, orders, requests and confirmations by any one or more of the Persons included in the term "Borrower" in connection with any Credit Extension or any other transaction in connection with the provisions of this Agreement.

12.1.2 Inter-Company Debt, Contribution. Without implying any limitation on the joint and several nature of the Obligations, Agent and Lenders agree that, notwithstanding any other provision of this Agreement, the Persons included in the term "Borrower" may create reasonable inter-company indebtedness between or among the Persons included in the term "Borrower" with respect to the allocation of the benefits and proceeds of the Credit Extensions under this Agreement. The Persons included in the term "Borrower" agree among themselves, and Agent and Lenders consent to that agreement, that each such Person shall have rights of contribution from all of such Persons to the extent such Person incurs Obligations in excess of the proceeds of the Credit Extensions received by, or allocated to such Person. All such indebtedness and rights shall be, and are hereby agreed by the Persons included in the term "Borrower" to be, subordinate in priority and payment to the indefeasible repayment in full in cash of the Obligations, and, unless Agent agrees in writing otherwise, shall not be exercised or repaid in whole or in part until all of the Obligations have been indefeasibly paid in full in cash. Each Person included in the term "Borrower" agrees that all of such inter-company indebtedness and rights of contribution are part of the Collateral and secure the Obligations. Each Person included in the term "Borrower" hereby waives all rights of counter claim, recoupment and offset between or among themselves arising on account of that indebtedness and otherwise. No Person included in the term "Borrower" shall evidence the inter-company indebtedness or rights of contribution by note or other instrument, and shall not secure such indebtedness or rights of contribution with any Lien or security.

12.1.3 Borrowers are Integrated Group.

Each Person included in the term "Borrower" hereby represents and warrants to Agent and Lenders that each of them will derive benefits, directly and indirectly, from each Credit Extension, both in their separate capacity and as a member of the integrated group to which each such Person belongs and because the successful operation of the integrated group is dependent upon the continued successful performance of the functions of the integrated group as a whole, because (i) the terms of the Credit Extensions provided under this Agreement are more favorable than would otherwise would be obtainable by such Persons individually, and (ii) the additional administrative and other costs and reduced flexibility associated with individual loan arrangements which would otherwise be required if obtainable would substantially reduce the value to such Persons of the Credit Extensions.

12.1.4 Primary Obligations.

The obligations and liabilities of each Person included in the term "Borrower" shall be primary, direct and immediate, shall not be subject to any counterclaim, recoupment, set off, reduction or defense based upon any claim that such Person may have against any one or more of the other Persons included in the term "Borrower", Agent, any Lender and/or any other guarantor and shall not be conditional or contingent upon pursuit or enforcement by Agent and Lenders of any remedies they may have against Persons included in the term "Borrower" with respect to this Agreement, or any of the other Loan Documents, whether pursuant to the terms thereof or by operation of law. Without limiting the generality of the foregoing, neither Agent nor any Lender shall be required to make any demand upon any of the Persons included in the term "Borrower", or to sell the Collateral or otherwise pursue, enforce or exhaust its or their remedies against the Persons included in the term "Borrower" or the Collateral either before, concurrently with or after pursuing or enforcing its rights and remedies hereunder. Any one or more successive or concurrent actions or proceedings may be brought against each Person included in the term "Borrower", either in the same action, if any, brought against any one or more of the Persons included in the term "Borrower" or in separate actions or proceedings, as often as Agent or Lenders may deem expedient or advisable. Without limiting the foregoing, it is specifically understood that any modification, limitation or discharge of any of the liabilities or obligations of any one or more of the Persons included in the term "Borrower", any other guarantor or any obligor under any of the Loan Documents, arising out of, or by virtue of, any bankruptcy, arrangement, reorganization or similar proceeding for relief of debtors under federal or state Law initiated by or against any one or more of the Persons included in the term "Borrower", in their respective capacities as borrowers and guarantors under this Agreement, or under any of the Loan Documents shall not modify, limit, lessen, reduce, impair, discharge, or otherwise affect the liability of any other Borrower under this Agreement in any manner whatsoever, and this Agreement shall remain and continue in full force and effect. It is the intent and purpose of this Agreement that each Person included in the term "Borrower" shall and does hereby waive all rights and benefits which might accrue to any other guarantor by reason of any such proceeding, and the Persons included in the term "Borrower" agree that they shall be liable for the full amount of the obligations and liabilities under this Agreement regardless of, and irrespective to, any modification, limitation or discharge of the liability of any one or more of the Persons included in the term "Borrower", any other guarantor or any other obligor under any of the Loan Documents, that may result from any such proceedings.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Agent's prior written consent (which may be granted or withheld in Agent's discretion). Lenders and Agent have the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Lenders' obligations, rights, and benefits under this Agreement and the other Loan Documents, including without limitation, an assignment to any Affiliate or any related party. Borrower shall establish and maintain a record of ownership (the "**Register**") in which it agrees to register by book entry each Lender's and each initial and subsequent assignee's interest in each Credit Extension, and in the right to receive any payments hereunder and any assignment of any such interest. Notwithstanding anything to the contrary contained in this Agreement, the Credit Extensions (including the notes in respect hereof) are registered obligations and the right, title, and interest of each Lender and its assignees therein shall be transferable upon notation of such transfer in the Register, pursuant to Borrower's obligation above. In no event is any note to be considered a bearer instrument or bearer obligation. This Section shall be construed so that the Credit Extensions are at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Internal Revenue Code and any related regulations (or any successor provisions of the Code or such regulations).

12.3 Indemnification/Expenses.

(a) Borrower agrees to indemnify, defend and hold Agent and the Lenders and their respective directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Agent or the Lenders harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "**Claims**") asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or Lenders' Expenses incurred, or paid by Lenders and/or Agent from, following, or arising from transactions between Agent, and/or Lenders and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by Agent's or Lenders' gross negligence, willful misconduct or violation of the Law.

(b) Borrower hereby indemnifies, defends and holds Agent and the Lenders and their respective officers, employees, and agents (collectively called the "**Indemnitees**") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for such Indemnitee) in connection with any investigative, response, remedial, administrative or judicial matter or proceeding, whether or not such Indemnitee shall be designated a party thereto and including any such proceeding initiated by or on behalf of Borrower, and the reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and any commission, fee or compensation claimed by any broker (other than any broker retained by Agent or Lenders) asserting any right to payment for the transactions contemplated hereby which may be imposed on, incurred by or asserted against such Indemnitee as a result of or in connection with the transactions contemplated hereby and the use or intended use of the proceeds of the Growth Capital Advances, except that Borrower shall not have any obligation hereunder to an Indemnitee with respect to any liability resulting from the gross negligence, willful misconduct or violation of the Law of such Indemnitee, as determined by a final non-appealable judgment of a court of competent jurisdiction. To the extent that the undertaking set forth in the immediately preceding sentence may be unenforceable, Borrower shall contribute the maximum portion which it is permitted to pay and satisfy under applicable Law to the payment and satisfaction of all such indemnified liabilities incurred by the Indemnitees or any of them.

12.4 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 Amendments in Writing; Integration. All amendments to this Agreement must be in writing and signed by Agent, Lenders and Borrower. This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.8 Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.3 to indemnify each Lender and Agent shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.9 Confidentiality. In handling any confidential information, Lenders and Agent shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Lenders' and Agent's Subsidiaries, Affiliates; (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, Lenders and Agent shall obtain such prospective transferee's or purchaser's agreement to the terms of this provision); (c) as required by Law, regulation, subpoena, or other order; (d) to regulators or as otherwise required in connection with an examination or audit; and (e) as Agent considers appropriate in exercising remedies under this Agreement. Confidential information does not include information that either: (i) is in the public domain or in Lenders' and/or Agent's possession when disclosed to Lenders and/or Agent, or becomes part of the public domain after disclosure to Lenders and/or Agent; or (ii) is disclosed to Lenders and/or Agent by a third party, if Lenders and/or Agent does not know that the third party is prohibited from disclosing the information.

12.10 Right of Set Off. Borrower hereby grants to Agent and to each Lender, a lien, security interest and right of set off as security for all Obligations to Agent and each Lender hereunder, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Agent or Lenders or any entity under the control of Agent or Lenders (including an Agent affiliate) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Agent or Lenders may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE AGENT TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.11 Publicity.

Borrower will not directly or indirectly publish, disclose or otherwise use in any public disclosure, advertising material, promotional material, press release or interview, any reference to the name, logo or any trademark of Agent or any Lender or any of their Affiliates or any reference to this Agreement or the financing evidenced hereby, in any case except as required by applicable Law (including the rules and regulations of the Securities and Exchange Commission), subpoena or judicial or similar order, in which case Borrower shall endeavor to give Agent prior written notice of such publication or other disclosure.

Each Lender and Borrower hereby authorizes each Lender to publish the name of such Lender and Borrower, the existence of the financing arrangements referenced under this Agreement, the primary purpose and/or structure of those arrangements, the amount of credit extended under each facility, the title and role of each party to this Agreement, and the total amount of the financing evidenced hereby in any "tombstone", comparable advertisement or press release which such Lender elects to submit for publication. In addition, each Lender and Borrower agrees that each Lender may provide lending industry trade organizations with information necessary and customary for inclusion in league table measurements after the Closing Date. With respect to any of the foregoing, such authorization shall be subject to such Lender providing Borrower and the other Lenders with an opportunity to review and confer with such Lender regarding, and approve, the contents of any such tombstone, advertisement or information, as applicable, prior to its initial submission for publication, but subsequent publications of the same tombstone, advertisement or information shall not require Borrower's approval.

12.11 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

13 DEFINITIONS

13.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"**Account**" is any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

"**Account Debtor**" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"**Advance Request Form**" is that certain form attached hereto as Exhibit B.

"**Affiliate**" of any Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members. For purposes of Section 12.9, the term "Affiliates" in regard to a Lender shall also include any entity that provides capital to such Lender to facilitate such Lender's business activities.

"**Agent**" means, BlueCrest, not in its individual capacity, but solely in its capacity as agent on behalf of and for the benefit of the Lenders.

"**Agreement**" is defined in the preamble hereof.

"**Anti-Terrorism Laws**" means any Laws relating to terrorism or money laundering, including Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the Laws comprising or implementing the Bank Secrecy Act, and the Laws administered by OFAC.

"**Arrangers**" is defined in the preamble hereof.

"**Assignee Lender**" is defined in Section 3.1(h).

"**Avid**" is defined in the preamble hereof.

"**Avid Liens**" means the Liens granted by Peregrine in favor of Agent, for the ratable benefit of Lenders, on the capital stock of Avid and the Liens granted by Avid in favor of Agent, for the ratable benefit of Lenders, on the assets of Avid.

"**Base LIBOR Rate**" means, for any Interest Period, the rate per annum, determined by Agent in accordance with its customary procedures, and utilizing such electronic or other quotation sources as it considers appropriate (rounded upwards, if necessary, to the next 1/100%), to be the rate at which Dollar deposits (for delivery on the first day of such Interest Period of, if such day is not a Business Day on the preceding Business Day) in the amount of $1,000,000 are offered to major banks in the London interbank market on or about 11:00 a.m. (New York time) two (2) Business Days prior to the commencement of such Interest Period, for a term comparable to such Interest Period, which determination shall be conclusive in the absence of manifest error.

"**Blocked Person**" means any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (c) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224, or (e) a Person that is named a "specially designated national" or "blocked person" on the most current list published by OFAC or other similar list.

"**BlueCrest**" is defined in the preamble hereof.

"**Borrower**" is defined in the preamble hereof.

"**Borrower's Books**" are all Borrower's books and records including ledgers, federal and state tax returns, records regarding Borrower's assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

"**Borrowing Resolutions**" are, with respect to any Person, those resolutions adopted by such Person's Board of Directors and delivered by such Person to Agent approving the Loan Documents to which such Person is a party and the transactions contemplated thereby, together with a certificate executed by its secretary on behalf of such Person certifying that (a) such Person has the authority to execute, deliver, and perform its obligations under each of the Loan Documents to which it is a party, (b) that attached as Exhibit A to such certificate is a true, correct, and complete copy of the resolutions then in full force and effect authorizing and ratifying the execution, delivery, and performance by such Person of the Loan Documents to which it is a party, (c) the name(s) of the Person(s) authorized to execute the Loan Documents on behalf of such Person, together with a sample of the true signature(s) of such Person(s), and (d) that Agent may conclusively rely on such certificate unless and until such Person shall have delivered to Agent a further certificate canceling or amending such prior certificate.

"**Business Day**" is any day that is not a Saturday, Sunday or a day on which Agent is closed.

"**Cash Equivalents**" means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc.; (c) certificates of deposit maturing no more than one (1) year after issue; and (d) money market funds at least ninety-five percent (95%) of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

"**Change in Control**" is a transaction in which any "**person**" or "**group**" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the "**beneficial owner**" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of greater than 35% of the shares of all classes of stock then outstanding of Borrower ordinarily entitled to vote in the election of directors.

"**Claims**" are defined in Section 12.2.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of Maryland; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Agent's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of Maryland, the term "**Code**" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes on the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"**Collateral**" is any and all properties, rights and assets of Borrower described on Exhibit A.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account.

"**Commitment Percentage**" is set forth in Schedule 1.1, as amended from time to time.

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Communication**" is defined in Section 10.

"**Compliance Certificate**" is that certain certificate in the form attached hereto as Exhibit C.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Agent pursuant to which Agent obtains control (within the meaning of the Code) for the benefit of the Lenders over such Deposit Account, Securities Account, or Commodity Account.

"**Credit Extension**" is any Growth Capital Advance or any other extension of credit by Agent or Lenders under this Agreement or the Loan Documents for Borrower's benefit.

"**DEA**" means the Drug Enforcement Administration of the United States of America and any successor agency thereof.

"**Default**" is any event which with notice or passage of time or both, would constitute an Event of Default.

"**Default Rate**" is defined in Section 2.2(b).

"**Deposit Account**" is any "deposit account" as defined in the Code with such additions to such term as may hereafter be made.

"**Designated Deposit Account**" is collectively Borrower's deposit account, account numbers **********,*********, and **********, maintained with Union Bank of California and over which Agent has been granted control for the ratable benefit of all Lenders.

"**Dollars**," "**dollars**" and "**$**" each mean lawful money of the United States.

"**Drug Application**" means a new drug application, an abbreviated drug application, or a product license application for any Product, as appropriate, as those terms are defined in the FDCA.

"**Effective Amount**" means with respect to any Growth Capital Advances on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowing and prepayments or repayments thereof occurring on such date.

"**Effective Date**" is defined in the preamble of this Agreement.

"**Equipment**" is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"**ERISA**" is the Employee Retirement Income Security Act of 1974, and its regulations.

"**Event of Default**" is defined in Section 8.

"**FDA**" means the Food and Drug Administration of the United States of America or any successor entity thereto.

"**FDCA**" means the Federal Food, Drug and Cosmetic Act, as amended, 21 U.S.C. Section 301 et seq. and all regulations promulgated thereunder.

"**Final Payment**" is a payment in regard to each Growth Capital Advance (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest) equal to the amount of such Growth Capital Advance multiplied by the Final Payment Percentage, due on the earlier of (a) the Growth Capital Line Maturity Date, (b) the acceleration of such Growth Capital Advance or (c) the prepayment of the Growth Capital Advances in accordance with Section 2.1.1(e); provided, however, that fifty percent (50%) of the portion of the Final Payment owed to any Lender shall be waived by such Lender in the event of a prepayment using proceeds of a credit facility provided in whole or in part by such Lender which refinances the Obligations.

"**Final Payment Percentage**" is, for each Growth Capital Advance, three percent (3.0%).

"**Funding Date**" is any date on which a Credit Extension is made to or on account of Borrower which shall be a Business Day.

"**GAAP**" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"**General Intangibles**" is all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, trademarks, service marks and, to the extent permitted under applicable Law, any applications therefor, whether registered or not, any trade secret rights, including any rights to unpatented inventions, payment intangibles, royalties, contract rights, goodwill, franchise agreements, purchase orders, customer lists, route lists, telephone numbers, domain names, claims, income and other tax refunds, security and other deposits, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"**Growth Capital Advance**" or "**Growth Capital Advances**" is defined in Section 2.1.1(a).

"**Growth Capital Draw Period**" is the period of time commencing upon the Effective Date and continuing through the earliest to occur of (i) the Growth Capital Commitment Termination Date, (ii) an Event of Default, or (iii) the existence of any Default.

"**Growth Capital Commitment Termination Date**" is June 30, 2009.

"**Growth Capital Line**" is a Growth Capital Advance or Growth Capital Advances in an aggregate amount of up to Ten Million Dollars ($10,000,000.00).

"**Growth Capital Line Maturity Date**" is, for each Growth Capital Advance, December 9, 2011.

"**Governmental Approval**" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"**Governmental Authority**" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization

"**Indebtedness**" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, (d) Contingent Obligations and (e) preferred stock issued by Borrower.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency Law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"**Intellectual Property**" means, with respect to any Person, all patents, patent applications and like protections, including improvements, divisions, continuation, renewals, reissues, extensions and continuations in part of the same, trademarks, trade names, trade styles, trade dress, service marks, logos and other business identifiers and, to the extent permitted under applicable Law, any applications therefore, whether registered or not, and the goodwill of the business of such Person connected with and symbolized thereby, copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative works, whether published or unpublished, technology, know-how and processes, operating manuals, trade secrets, computer hardware and software, rights to unpatented inventions and all applications and licenses therefor, used in or necessary for the conduct of business by such Person and all claims for damages by way of any past, present or future infringement of any of the foregoing.

"**Interest Payment Date**" means the first day of each month.

"**Interest Period**" means the one-month period starting on the first day of each month and ending on the last day of such month; provided, however, that the first Interest Period for each Growth Capital Advance shall commence on the date that the applicable Growth Capital Advance is made and end on the last day of such month.

"**Interest Rate Determination Date**" means the second Business Day prior to the first day of the related Interest Period.

"**Inventory**" is all "inventory" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"**Investment**" is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

"**IP Agreement**" is that certain Intellectual Property Security Agreement executed and delivered by Borrower to Agent dated of even date herewith.

"**Laws**" means any and all federal, state, provincial, territorial, local and foreign statutes, laws, judicial decisions, regulations, guidances, guidelines, ordinances, rules, judgments, orders, decrees, codes, plans, injunctions, permits, concessions, grants, franchises, governmental agreements and governmental restrictions, whether now or hereafter in effect, which are applicable to any Borrower in any particular circumstance.

"**Lender**" is any one of the Lenders.

"**Lenders**" shall mean the Persons identified on Schedule 1.1 hereto and each assignee that becomes a party to this Agreement pursuant to Section 12.1.

"**Lenders' Expenses**" are, subject to specific limitations contained in the Loan Documents, all audit fees and expenses, costs, and expenses (including reasonable attorneys' fees and expenses) of Lenders and Agent for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower relating to this Agreement or to the other Loan Documents, provided that, if requested by Borrower in writing, all such fees, expenses, and costs are supported by written invoices or statements.

"**LIBOR Rate**" means for each Interest Period, the rate per annum determined by Agent (rounded upwards, if necessary, to the next 1/100th%) by dividing (a) the Base LIBOR Rate for such Interest Period, by (b) 100% *minus* the Reserve Percentage. The LIBOR Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

"**LIBOR Rate Margin**" is nine percentage points (9.0%) per annum.

"**Lien**" is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"**Loan Documents**" are, collectively, this Agreement, the Warrants, the Perfection Certificate, the IP Agreement, any note, or notes or guaranties executed by Borrower or any Guarantor in connection with the indebtedness governed by this Agreement, and any other present or future agreement made by Borrower or any Guarantor for the benefit of Lenders and Agent in connection with this Agreement, all as amended, restated, or otherwise modified.

"**Material Adverse Change**" is (a) a material impairment in the priority of Lenders' Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower; or (c) a material impairment of the prospect of repayment of any portion of the Obligations.

"**Material Intellectual Property**" is all of Borrower's Intellectual Property that is material to the condition (financial or other), business or operations of Borrower.

"**Obligations**" are Borrower's obligation to pay when due any debts, principal, interest, Lenders' Expenses, Prepayment Fees, Final Payments, and other amounts Borrower owes Lenders now or later, whether under this Agreement, the Loan Documents, or otherwise, including, without limitation, all obligations relating to letters of credit (including reimbursement obligations for drawn and undrawn letters of credit), cash management services, and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin (whether or not allowed) and debts, liabilities, or obligations of Borrower assigned to Lenders and/or Agent, and the performance of Borrower's duties under the Loan Documents.

"**OFAC**" is the U.S. Department of Treasury Office of Foreign Assets Control.

"**OFAC Lists**" are, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

"**Operating Documents**" are, for any Person, such Person's formation documents, as certified with the Secretary of State of such Person's state of formation on a date that is no earlier than 30 days prior to the Effective Date, and (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"**Peregrine**" is defined in the preamble hereof.

"**Perfection Certificate**" is defined in Section 5.1.

"**Permits**" means licenses, certificates, accreditations, product clearances or approvals, provider numbers or provider authorizations, marketing authorizations, other authorizations, registrations, permits, consents and approvals required in connection with the conduct of Borrower's or any Subsidiary's business or to comply with any applicable Laws, including, without limitation, drug listings and drug establishment registrations under 21 U.S.C. Section 510, registrations issued by DEA under 21 U.S.C. Section 823 (if applicable to any Product), and those issued by State governments for the conduct of Borrower's or any Subsidiary's business.

"**Permitted Avid Transaction**" is defined in Section 7.1.

"**Permitted Indebtedness**" is:

(a) Borrower's Indebtedness to Lenders and Agent under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date and shown on the Perfection Certificate;

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business; and

(f) Indebtedness secured by Permitted Liens;

(g) preferred stock issued by Borrower which is not subject to any redemption right or obligation or any other right or obligation which, if exercised or otherwise enforced, would violate Section 7.7 or any other provision of this Agreement; and

(h) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (f) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be.

"**Permitted Investments**" are:

(a) Investments shown on the Perfection Certificate and existing on the Effective Date;

(b) Investments consisting of Cash Equivalents;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower's business;

(d) Investments consisting of deposit accounts in which Agent, for the ratable benefit of Lenders, has a perfected security interest;

(e) Investments accepted in connection with Transfers permitted by Section 7.1;

(f) Investments by Subsidiaries in or to other Subsidiaries or Borrower and Investments by Borrower in Subsidiaries not to exceed $100,000 in the aggregate in any fiscal year;

(g) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors;

(h) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business; and

(i) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (i) shall not apply to Investments of Borrower in any Subsidiary.

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificate or arising under this Agreement and the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either not delinquent or being contested in good faith and for which Borrower maintains adequate reserves on Borrower's Books, if they have no priority over any of Lenders' Liens;

(c) purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment securing no more than One Hundred Thousand Dollars ($100,000.00) in the aggregate amount outstanding, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(d) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed $100,000 and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens to secure payment of workers' compensation, employment insurance, old age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(g) leases or subleases of real property granted in the ordinary course of business, and leases, subleases, non-exclusive licenses or sublicenses of property (other than real property or Intellectual Property) granted in the ordinary course of Borrower's business, if the leases, subleases, licenses and sublicenses do not prohibit granting Agent a security interest;

(h) non-exclusive license of Intellectual Property granted to third parties in the ordinary course of business;

(i) exclusive licenses of Intellectual Property so long as (i) Borrower's Board of Directors has approved each such exclusive license and (ii) no such exclusive license involves the products bavituximab or Cotara;

(j) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7;

(k) Liens in favor of other financial institutions arising in connection with Borrower's deposit and/or securities accounts held at such institutions, provided that Agent, for the ratable benefit of Lenders, has a perfected security interest in the amounts held in such deposit and/or securities accounts and such Lien does not secure borrowed money; and

(l) Liens in favor of XMark Fund, L.P. and Xmark Fund Ltd on (i) Peregrine's registered trademark for "COTARA" registered on February 24, 2004 with registration number 2,817,648 and (ii) certain of Peregrine's patents, including, without limitation, DETECTION OF NECROTIC MALIGNANT TISSUE AND ASSOCIATED THERAPY registered on May 28, 1991 with registration number 5,019,368; provided, however, that the Liens described in this clause (l) must be terminated prior to advance of the initial Credit Extension hereunder.

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"**Prepayment Fee**" shall be an amount equal to:

(i) for a prepayment accruing on or prior to December 9, 2009, the Yield Maintenance Amount;

(ii) for a prepayment accruing after December 9, 2009 and on or prior to December 9, 2010, five percent (5.0%) of the principal amount of any Growth Capital Advance prepaid; or

(iii) for a prepayment accruing after December 9, 2010, three percent (3.0%) of the principal amount of any Growth Capital Advance prepaid.

"**Products**" means any products manufactured, sold, developed, tested or marketed by any Borrower or any of its Subsidiaries, including without limitation, those products set forth on Schedule 5.11 (as updated from time to time in accordance with Section 6.2(d) above); provided that, if Borrower shall fail to comply with the obligations under Section 6.2(d) to give notice to Agent and update Schedule 5.11 prior to manufacturing, selling, developing, testing or marketing any new Product, any such improperly undisclosed Product shall be deemed to be included in this definition; and provided, further, that products manufactured by Avid for unaffiliated third parties shall not be deemed "Products" hereunder.

"**Registered Organization**" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"**Regulatory Change**" means, with respect to Lenders, any change on or after the date of this Agreement in United States federal, state, or foreign Laws or regulations, including Regulation D, or the adoption or making on or after such date of any interpretations, directives, or requests applying to a class of lenders including Lenders, of or under any United States federal or state, or any foreign Laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

"**Required Permit**" means a Permit (a) issued or required under Laws applicable to the business of Borrower or any of its Subsidiaries or necessary in the manufacturing, importing, exporting, possession, ownership, warehousing, marketing, promoting, sale, labeling, furnishing, distribution or delivery of goods or services under Laws applicable to the business of Borrower or any of its Subsidiaries or any Drug Application (including without limitation, at any point in time, all licenses, approvals and permits issued by the FDA or any other applicable Governmental Authority necessary for the testing, manufacture, marketing or sale of any Product by any applicable Borrower(s) as such activities are being conducted by such Borrower with respect to such Product at such time), and (b) issued by any Person from which Borrower or any of their Subsidiaries have received an accreditation.

"**Requirement of Law**" is as to any Person, the organizational or governing documents of such Person, and any Law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Reserve Percentage**" means, on any day, for any Lender, the maximum percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor Governmental Authority) for determining the reserve requirements (including any basic, supplemental, marginal, or emergency reserves) that are in effect on such date with respect to eurocurrency funding (currently referred to as "eurocurrency liabilities") of that Lender, but so long as such Lender is not required or directed under applicable regulations to maintain such reserves, the Reserve Percentage shall be zero.

"**Responsible Officer**" is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

"**Securities Account**" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"**Subordinated Debt**" is indebtedness incurred by Borrower subordinated to all of Borrower's now or hereafter indebtedness to Lenders (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Agent and Lenders entered into between Agent, the Borrower and the other creditor), on terms acceptable to Agent and Lenders.

"**Subsidiary**" means, with respect to any Person, any Person of which more than 50.0% of the voting stock or other equity interests (in the case of Persons other than corporations) is owned or controlled, directly or indirectly, by such Person or one or more of Affiliates of such Person.

"**Transfer**" is defined in Section 7.1.

"**UT Southwestern**" has the meaning set forth in the UTSW Agreement.

"**UTSW Agreement**" means that certain Exclusive Patent License Agreement between the University of Texas Southwestern and Peregrine Pharmaceuticals, Inc. effective as of August 1, 2001.

"**Warrants**" are those certain Warrants to Purchase Stock dated as of the Effective Date executed by Borrower in favor of each Lender.

"**Yield Maintenance Amount**" means the sum of the present values (but in any event, not less than zero) of the "**Term Margin Component**" (defined below) of the remaining payments of interest under this Agreement that will not be made by reason of the early termination of the Growth Capital Line or Lenders' funding obligations in respect thereof, all as estimated and determined by Agent in accordance with the formula set forth below. The "**Term Margin Component**" means the portion of the remaining payments of interest under this Agreement calculated based on (i) an amortized principal sum initially equal to the amount prepaid and the LIBOR Rate Margin and (ii) the sum of the LIBOR Rate Margin plus the amount (if any) by which 3% exceeds the LIBOR Rate. The present value of each such estimated monthly payment shall be calculated by discounting such estimated payment to the date of prepayment by the Discount Rate. The "**Discount Rate**" for each such payment is the rate which, when compounded monthly, is equivalent to the Treasury Rate (as hereinafter defined), when compounded semi-annually. The "**Treasury Rate**" is the yield calculated by the linear interpolation of the nominal yields, as reported in the Federal Reserve Statistical Release H.15 Selected Interest Rates (the "**Release**") under the heading "U.S. government securities" and the subheading "Treasury Constant Maturities" for the week ending prior to the date of prepayment, of U.S. Treasury Constant Maturities with maturity dates (one longer and one shorter) most nearly approximating what would have been the payment due date of each such estimated payment amount but for the termination or default. In the event the Release is no longer published, Administrative Agent shall select a comparable publication to determine the Treasury Rate in its commercially reasonable discretion. Borrower agrees that the foregoing calculations are a reasonable approximation of Lenders' lost profits in view of the difficulties and impracticality of determining actual damages resulting from an early termination of this Agreement or Lenders' funding obligations hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as a sealed instrument under the Laws of the State of Maryland as of the Effective Date.

BORROWER:

PEREGRINE PHARMACEUTICALS, INC.

By:/s/ Steven King
Name: Steven King
Title: President and CEO

AVID BIOSERVICES, INC.

By:/s/ Steven King
Name: Steven King
Title: President and CEO

AGENT:

BLUECREST CAPITAL FINANCE, L.P., as Agent
By: BlueCrest Capital Finance GP, LLC, its General Partner

By: /s/ Mark King
Name: Mark King
Title: Managing Director

LENDERS:

BLUECREST CAPITAL FINANCE, L.P., as a Lender
By: BlueCrest Capital Finance GP, LLC, its General Partner

By: /s/ Mark King
Name: Mark King
Title: Managing Director

[Signature page to Loan and Security Agreement]

Portions identified with an asterisk (*) have been omitted pursuant to a request of confidentiality filed separately with the Commission.

SCHEDULE 1.1

LENDERS AND COMMITMENTS

Lender	Commitment	Commitment Percentage
BlueCrest Capital Finance, L.P.	$10,000,000.00	100.00%
TOTAL	$10,000,000.00	100.00%

[Schedule 1.1 to Loan and Security Agreement]

Portions identified with an asterisk (*) have been omitted pursuant to a request of confidentiality filed separately with the Commission.

SCHEDULE 5.2

MATERIAL INTELLECTUAL PROPERTY

Peregrine has exclusive rights to market and sell world-wide the bavituximab family of antibodies for treatment of all solid tumors, non-small cell lung cancer, breast cancer, Hepatitis C and HIV through the following list of patents and license agreements:

Product Covered	Licensor Name	Licensor Address	Lic. Exp. Date	IP Exp. Date	Exclusive?	Restriction
Naked anti-PS antibodies	Univ. of Texas System	201 W. 7th Street, Austin, TX 78701	Upon exp of Patents	2018	Yes	Transferable to successor
VTA	Univ. of Texas System	201 W. 7th Street, Austin, TX 78701	Upon exp of Patents	2014	Yes	Transferable to successor
bavituximab	Avanir Pharmaceuticals	101 Enterprise, Suite 300, Aliso Viejo, CA 92656	10 year from first commercial sale per country	N/A	Yes	Transferable to successor
Anti-PS antibodies	Univ. of Texas System	201 W. 7th Street, Austin, TX 78701	Upon exp of Patents	2022	Yes	Transferable to successor

Peregrine has exclusive rights to market and sell world-wide (except China) the product known as Cotara® (a chimeric antibody labeled with radioactive iodine-131 that targets necrotic tumor cells) for treatment of brain, colon, liver, lung, prostate and pancreatic cancers, through the following list of patents and license agreements:

Description	Registration/ Application Number	Registration/ Application Date
CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (US)	10/877,959	06/25/04
CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (PCT)	PCT/US04/020492	11/25/05
CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (PCT)	2004253924	11/24/05
CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (PCT)	200480017742.X	12/23/05
CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (EPO – Belgium, Switzerland, Germany, Denmark, Finland, France, Great Britain, Ireland, Netherlands & Sweden)	04785799.0	01/05/06
CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (HK)	06109573.0	08/28/06

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CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (EPO DIV)	08010871.5	06/13/08
CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (India)	419/DELNP/2006	01/23/06
CONTINUOUS LARGE SCALE METHOD FOR PROTEIN LABELING (New Zealand)	543495	11/10/05
Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof (Australia)	766564	7/2/1999
Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof (Canada)	2336114	7/2/1999
Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof (EPO – Denmark, France, Great Britain, Netherlands)	EP1092028B1	7/2/1999
Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof (Japan)	2000-558212	7/2/1999
Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof (US)	6827925	9/27/2001
Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof (US)	10/890,945	7/13/2004
Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof (EP DIV)	EP0510644.2	5/17/2005
Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof (Hong Kong)	06108478.8	7/2/1999
Detection of necrotic malignant tissue and associated therapy (US)	5019368	2/23/1989
Detection of necrotic malignant tissue and associated therapy (US)	5882626	3/13/1991
MODIFIED ANTIBODIES (US)	5194594	9/7/1990
MODIFIED ANTIBODIES (UPO – Denmark, France, Great Britain, Italy, Switzerland)	550663	8/28/1991
MODIFIED ANTIBODIES (Canada)	2090700	8/28/1991
MODIFIED ANTIBODIES (Japan)	3549525	8/28/1991
MODIFIED ANTIBODIES (Japan Div)	2004-13610	8/28/1991
MODIFIED ANTIBODIES (Australia)	649079	8/28/1991
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE (US)	5990286	1/10/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE (EPO – Austria, Switzerland, Denmark, Spain, France , Great Britain, Italy, Russia)	0873139	1/6/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE (Australia)	730388	1/6/1997

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ANTIBODIES WITH REDUCED NET POSITIVE CHARGE (Canada)	2242750	1/6/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE (Japan)	525384/1997	1/6/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE (Korea)	485240	1/6/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE (Mexico)	985565	1/6/1997

Peregrine has the right to develop, market and sell other technologies such as vasopermeation agents, vascular targeting agents and other technologies (excluding those covering bavituximab and Cotara) through the following list of patents and license agreements:

Licensed Product	Licensor Name	Licensor Address	Lic. Exp. Date	IP Exp. Date	Exclusive?	Restrictions
VEA	University of Southern California	3740 McClintock Ave, Hughes Center EEB 131, Los Angeles, CA 90089-2561	Upon exp of Patents	2009	Yes	Transferable to successor
PEP	University of Southern California	3740 McClintock Ave, Hughes Center EEB 131, Los Angeles, CA 90089-2561	Upon exp of Patents	2016	Yes	Transferable to successor
Coaguligand	Univ. of Texas System	201 W. 7th Street, Austin, TX 78701	Upon exp of Patents	2014	Yes	Transferable to successor
Coaguligand	SCRIPPS Research Inst.	10550 North Torrey Pines Road, La Jolla CA 92037	Upon exp of Patents	2014	Yes	Transferable to successor
VTA	Univ. of Texas System	201 W. 7th Street, Austin, TX 78701	Upon exp of Patents	2014	Yes	Transferable to successor
Tissue Factor	Univ. of Texas System	201 W. 7th Street, Austin, TX 78701	Upon exp of Patents	2017	Yes	Transferable to successor
AntiPS-Conjugates	Univ. of Texas System	201 W. 7th Street, Austin, TX 78701	Upon exp of Patents	2018	Yes	Transferable to successor
VPF	Beth Israel Deaconess Medical Center	330 Brookline Ave, FN 2, Boston, MA 02215	Upon exp of Patents	2011	Yes	Transferable to successor
Anti-VEGF	Univ. of Texas System	201 W. 7th Street, Austin, TX 78701	Upon exp of Patents	2019	Yes	Transferable to successor
PS-peptide conjugate	MD Anderson Cancer Center	1515 Holcombe Blvd, Houston, TX 77030	Upon exp of Patents	2017	Yes	Transferable to successor
Nicked Beta-2GP1	MD Anderson Cancer Center	1515 Holcombe Blvd, Houston, TX 77030	Upon exp of Patents	2022	Yes	Transferable to successor

SCHEDULE 5.3

LITIGATION

On January 12, 2007, Peregrine filed a complaint in the Superior Court of the State of California for the County of Orange against Cancer Therapeutics Laboratories (“CTL”). The original complaint has been amended three times based on the ongoing discovery to include claims against Shanghai MediPharm and its related entities, and Alan Epstein, MD. The lawsuit alleges claims for breach of contract, interference with contractual relations, declaratory relief, and injunctive relief against the defendants. Peregrine's claims stem from a 1995 license agreement with CTL, and two amendments thereto (collectively referred to as the "License Agreement"). Peregrine claims that CTL breached the License Agreement by, among other things, (i) not sharing with Peregrine all inventions, technology, know-how, patents and other information, derived and/or developed in the People’s Republic of China and/or at the CTL laboratory, as was required under the License Agreement; (ii) not splitting revenue appropriately with Peregrine as required under the License Agreement; (iii) utilizing Peregrine's licensed technologies outside of the People’s Republic of China; and (iv) failing to enter a sublicense agreement with a Chinese sponsor obligating the Chinese sponsor to comply with the terms and obligations in the License Agreement. Peregrine further alleges that Medibiotech and Shanghai Medipharm Biotech Co., Ltd. ("Medipharm Entities") interfered with the License Agreement, leading to CTL's breaches. This interference by the Medipharm Entities includes: 1) posturing Shanghai Medipharm as the designated sublicensee under the License Agreement, without binding any of the Medipharm Entities to the terms and obligations of an appropriate sublicense agreement called for under the License Agreement; 2) entering into a license agreement with defendant Epstein ("Epstein License Agreement") instead of CTL; 3) restricting the information CTL was allowed to provide to Peregrine, thereby prohibiting CTL from providing to Peregrine all information required under the License Agreement; and 4) providing compensation to CTL, and its principals, so that CTL would enter agreements that prohibited CTL from performing under the License Agreement. These same monetary inducements also interfered with the 1999 Material Transfer Agreement between Peregrine and Dr. Epstein ("MTA"), and caused Dr. Epstein to breach the MTA. Dr. Epstein has attempted to have our claims against him referred to binding arbitration. The Superior Court has declined his request.

On March 28, 2007, CTL filed a cross-complaint, which it amended on May 30, 2007, alleging that the Company breached the Agreement, improperly terminated the Agreement, is interfering with CTL’s agreements with various MediPharm entities and is double-licensing the technology licensed to CTL to another party. CTL’s cross-complaint, which seeks $20 million in damages, is in part predicated on the existence of a sublicense agreement between CTL and MediPharm. Peregrine is challenging the cross-complaint on the basis that not only did CTL fail to allege an agreement with which the Company interfered, they have been unable to produce the alleged sublicense agreement with MediPharm despite our repeated demands.

On February 22, 2008, the MediPharm entities filed a cross-complaint alleging, as a third party beneficiary, that that the Company breached the Agreement by double-licensing the technology licensed to CTL to another party, intentionally interfered with a prospective economic advantage, and unjust enrichment. MediPharm’s cross-complaint, which seeks $30 million in damages, is in part predicated on MediPharm being the “Chinese Sponsor” under the Agreement. Peregrine intends to bring pre-trial motions to dispose of the MediPharm Cross-Complaint.

Portions identified with an asterisk (*) have been omitted pursuant to a request of confidentiality filed separately with the Commission.

SCHEDULE 5.11

PRODUCTS

ANTI-PS PLATFORM TECHNOLOGY:

Borrower has a number of Products in discovery and pre-clinical research that are covered under the Borrower's Anti-PS platform technology. The following represents Products that are in clinical trials or later stage pre-clinical development: bavituximab, PGN635, and PGN632.

TNT PLATFORM TECHNOLOGY:

Borrower has a number of Products in discovery and pre-clinical research that are covered under the Borrower's TNT platform technology. The following represent Products that are in clinical trials or later stage pre-clinical development: Cotara® and NHS76.

PERMITS:

The following represents a list of Required Permits:

Permit	**Permit Number**
California Drug Manufacturing License	63637
Designated Representative License	EXC 14347
FDA Labeler Code	67062
California Device Manufacturing License	63637

Portions identified with an asterisk (*) have been omitted pursuant to a request of confidentiality filed separately with the Commission.

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, goods, leases, license agreements, franchise agreements, General Intangibles (including Intellectual Property), commercial tort claims, including without limitation claims for interference with contractual relations and other tort claims arising from *Peregrine Pharmaceuticals, Inc. v. Cancer Therapeutics Laboratories et al.*, filed on January 12, 2007 in the Superior Court of the State of California for the County of Orange as Case No. 07CC00544, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, Collateral Accounts, all certificates of deposit, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

All Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Portions identified with an asterisk (*) have been omitted pursuant to a request of confidentiality filed separately with the Commission.

EXHIBIT B
Advance Request Form
DEADLINE FOR SAME DAY PROCESSING IS NOON E.S.T.

Date: _____

Re: Loan and Security Agreement dated December 9, 2008 ("Loan Agreement")

Borrower(s) Name: PEREGRINE PHARMACEUTICALS, INC. and AVID BIOSERVICES, INC.

LOAN ADVANCE REQUEST

The undersigned Borrower hereby requests an advance under the Loan Agreement in the gross amount of $_____. Borrower consents to the application of the gross advance to the following expenses and acknowledges that the net loan advance will be the amount shown below:

Gross Advance:	$_____
Less:	
Legal fees, including search expenses:	$_____
Background searches	$_____
Insurance review	$_____
Diligence fees	$_____
Document preparation fee	$_____
Commitment fee or installment thereof	$_____
Payoff	$_____
Other	$_____
Plus:	
Good faith deposit	$_____
Net loan advance:	$_____

PLEASE FILL-OUT OUTGOING WIRE INSTRUCTIONS (FORM ATTACHED) FOR THE FULL AMOUNT OF THE NET LOAN ADVANCE.

All Borrower's representations and warranties in the Loan Agreement are true, correct and complete in all material respects on the date of the request for an advance; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date. All conditions precedent to the credit extension herein requested, as set forth in Section 3 of the Loan Agreement, have been satisfied.

BORROWER:

PEREGRINE PHARMACEUTICALS, INC.

By:_____
Name:_____
Title:_____

AVID BIOSERVICES, INC.

By:_____
Name:_____
Title:_____

Portions identified with an asterisk (*) have been omitted pursuant to a request of confidentiality filed separately with the Commission.

EXHIBIT B
Advance Request Form
DEADLINE FOR SAME DAY PROCESSING IS NOON E.S.T.

OUTGOING WIRE INSTRUCTIONS

Amount of wire:
Beneficiary Name:
Beneficiary Bank:
City and State:
Beneficiary Bank Transit (ABA) #:
Contact:
Special instructions:

Amount of wire:
Beneficiary Name:
Beneficiary Bank:
City and State:
Beneficiary Bank Transit (ABA) #:
Contact:
Special instructions:

Amount of wire:
Beneficiary Name:
Beneficiary Bank:
City and State:
Beneficiary Bank Transit (ABA) #:
Contact:
Special instructions:

Amount of wire:
Beneficiary Name:
Beneficiary Bank:
City and State:
Beneficiary Bank Transit (ABA) #:
Contact:
Special instructions:

Amount of wire:
Beneficiary Name:
Beneficiary Bank:
City and State:
Beneficiary Bank Transit (ABA) #:
Contact:
Special instructions:

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EXHIBIT C
COMPLIANCE CERTIFICATE

TO: BLUECREST CAPITAL FINANCE, L.P., as Agent Date: _____
FROM: PEREGRINE PHARMACEUTICALS, INC. and AVID BIOSERVICES, INC.

The undersigned authorized officer on behalf of Peregrine Pharmaceuticals, Inc. and Avid Bioservices, Inc. (individually and collectively, "Borrower") certifies that under the terms and conditions of the Loan and Security Agreement among Borrower, Agent and the Lenders (the "Agreement"), (1) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.8 of the Agreement, and (5) no Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Agent. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
Compliance Certificate	With 10-Q and 10-K	Yes No
Board Approved Projections	FYE within 60 days	Yes No
The following Intellectual Property was registered after the Effective Date (if not registrations, state "None")		

e following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

PEREGRINE PHARMACEUTICALS, INC. and AVID BIOSERVICES, INC. By: _____ Name: _____ Title: _____	**AGENT USE ONLY** Received by: _____ AUTHORIZED SIGNER Date: _____ Verified: _____ AUTHORIZED SIGNER Date: _____ Compliance Status: Yes No

Portions identified with an asterisk (*) have been omitted pursuant to a request of confidentiality filed separately with the Commission.

Exhibit 10.112

SECURED TERM PROMISSORY NOTE

$1,500,000 December 19, 2008

FOR VALUE RECEIVED, **PEREGRINE PHARMACEUTICALS, INC.**, a Delaware corporation ("**Peregrine**"), and **AVID BIOSERVICES, INC**., a Delaware corporation ("**Avid**," and together with Peregrine, jointly and severally, individually and collectively, referred to as "**Borrower**") hereby jointly and severally promise to pay to the order of **BLUECREST CAPITAL FINANCE, L.P.**, a Delaware limited partnership, or the registered holder of this Note ("Lender"), at such place of payment as the registered holder of this Secured Term Promissory Note (this "Promissory Note") may specify from time to time in writing, in lawful money of the United States of America, the principal amount of One Million Five Hundred Thousand Dollars ($1,500,000) or such other principal amount as Lender has advanced to Borrower, together with interest in accordance with the Loan Agreement (as hereinafter defined) (or if and when applicable, at a rate equal to the "Default Rate" (as defined in the Loan Agreement referenced below) based upon a year consisting of 360 days, with interest computed daily based on the actual number of days in each month until the principal balance is paid in full.

This Promissory Note is executed and delivered in connection with that certain Loan and Security Agreement of even date herewith by and among Borrower, MidCap Funding I, LLC, as agent for Lenders, MidCap Funding I, LLC, as a Lender, and BlueCrest Capital Finance, L.P., as a Lender (as the same may from time to time be amended, modified, restated or supplemented in accordance with its terms, the "Loan Agreement"), and is entitled to the benefit and security of the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement), to which reference is made for a statement of all of the terms and conditions thereof. All payments shall be made in accordance with the Loan Agreement. All terms defined in the Loan Agreement shall have the same definitions when used herein, unless otherwise defined herein. An Event of Default under the Loan Agreement shall constitute a default under this Promissory Note, and upon any such Event of Default and default, all principal and interest and other obligations owing under this Promissory Note may be accelerated and declared immediately due and payable as provided for in the Loan Agreement. Reference to the Loan Agreement shall not affect or impair the absolute and unconditional obligation of Borrower to pay all principal and interest and premium, if any, under this Promissory Note upon demand or as otherwise provided herein.

Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest under the Uniform Commercial Code as in effect in the State of Maryland or any applicable law. Borrower agrees to make all payments under this Promissory Note without setoff, recoupment or deduction and regardless of any counterclaim or defense. This Promissory Note has been negotiated and delivered to Lender and is payable in the State of Maryland. This Promissory Note shall be governed by and construed and enforced in accordance with, the laws of the State of Maryland, excluding any conflicts of law rules or principles that would cause the application of the laws of any other jurisdiction. Without limiting the generality of the preceding paragraph, the provisions of Section 11 of the Loan Agreement regarding jurisdiction, venue and jury trial waiver are incorporated herein.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Borrower, as of the day and year first above written, has caused this Note to be executed under seal.

PEREGRINE PHARMACEUTICALS, INC.

By: /s/ Steven King (SEAL)
Name: Steven King
Title: President and CEO

AVID BIOSERVICES, INC.

By: /s/ Steven King (SEAL)
Name: Steven King
Title: President and CEO

Exhibit 10.113

SECURED TERM PROMISSORY NOTE

$3,500,000 December 19, 2008

FOR VALUE RECEIVED, **PEREGRINE PHARMACEUTICALS, INC.**, a Delaware corporation ("**Peregrine**"), and **AVID BIOSERVICES, INC**., a Delaware corporation ("**Avid**," and together with Peregrine, jointly and severally, individually and collectively, referred to as "**Borrower**") hereby jointly and severally promise to pay to the order of **MIDCAP FUNDING I, LLC**, a Delaware limited liability company, or the registered holder of this Note ("Lender"), at such place of payment as the registered holder of this Secured Term Promissory Note (this "Promissory Note") may specify from time to time in writing, in lawful money of the United States of America, the principal amount of Three Million Five Hundred Thousand Dollars ($3,500,000) or such other principal amount as Lender has advanced to Borrower, together with interest in accordance with the Loan Agreement (as hereinafter defined) (or if and when applicable, at a rate equal to the "Default Rate" (as defined in the Loan Agreement referenced below) based upon a year consisting of 360 days, with interest computed daily based on the actual number of days in each month until the principal balance is paid in full.

This Promissory Note is executed and delivered in connection with that certain Loan and Security Agreement of even date herewith by and among Borrower, MidCap Funding I, LLC, as agent for Lenders, MidCap Funding I, LLC, as a Lender, and BlueCrest Capital Finance, L.P., as a Lender (as the same may from time to time be amended, modified, restated or supplemented in accordance with its terms, the "Loan Agreement"), and is entitled to the benefit and security of the Loan Agreement and the other Loan Documents (as defined in the Loan Agreement), to which reference is made for a statement of all of the terms and conditions thereof. All payments shall be made in accordance with the Loan Agreement. All terms defined in the Loan Agreement shall have the same definitions when used herein, unless otherwise defined herein. An Event of Default under the Loan Agreement shall constitute a default under this Promissory Note, and upon any such Event of Default and default, all principal and interest and other obligations owing under this Promissory Note may be accelerated and declared immediately due and payable as provided for in the Loan Agreement. Reference to the Loan Agreement shall not affect or impair the absolute and unconditional obligation of Borrower to pay all principal and interest and premium, if any, under this Promissory Note upon demand or as otherwise provided herein.

Borrower waives presentment and demand for payment, notice of dishonor, protest and notice of protest under the Uniform Commercial Code as in effect in the State of Maryland or any applicable law. Borrower agrees to make all payments under this Promissory Note without setoff, recoupment or deduction and regardless of any counterclaim or defense. This Promissory Note has been negotiated and delivered to Lender and is payable in the State of Maryland. This Promissory Note shall be governed by and construed and enforced in accordance with, the laws of the State of Maryland, excluding any conflicts of law rules or principles that would cause the application of the laws of any other jurisdiction. Without limiting the generality of the preceding paragraph, the provisions of Section 11 of the Loan Agreement regarding jurisdiction, venue and jury trial waiver are incorporated herein.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, Borrower, as of the day and year first above written, has caused this Note to be executed under seal.

PEREGRINE PHARMACEUTICALS, INC.

By: /s/ Steven King (SEAL)
Name: Steven King
Title: President and CEO

AVID BIOSERVICES, INC.

By: /s/ Steven King (SEAL)
Name: Steven King
Title: President and CEO

Exhibit 10.114

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement is entered into as of December 19, 2008 by and between MIDCAP FUNDING I, LLC ("Agent") and AVID BIOSERVICES, INC. ("Grantor").

RECITALS

A. The Lenders have agreed to make certain advances of money and to extend certain financial accommodation to Grantor (the "Loans") in the amounts and manner set forth in that certain Loan and Security Agreement by and between Agent, the Lenders, Peregrine Pharmaceuticals, Inc. and Grantor dated the Effective Date (as the same may be amended, modified or supplemented from time to time, the "Loan Agreement"; capitalized terms used herein are used as defined in the Loan Agreement). The Lenders are willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall grant to Agent, for the ratable benefit of the Lenders, a security interest in certain Copyrights, Trademarks, Patents, and Mask Works (as each term is described below) to secure the obligations of Grantor under the Loan Agreement.

B. Pursuant to the terms of the Loan Agreement, Grantor has granted to Agent, for the ratable benefit of the Lenders, a security interest in all of Grantor's right, title and interest, whether presently existing or hereafter acquired, in, to and under all of the Collateral.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of its obligations under the Loan Agreement, Grantor hereby represents, warrants, covenants and agrees as follows:

AGREEMENT

To secure its obligations under the Loan Agreement, Grantor grants and pledges to Agent, for the ratable benefit of the Lenders, a security interest in all of Grantor's right, title and interest in, to and under its intellectual property (all of which shall collectively be called the "Intellectual Property Collateral"), including, without limitation, the following:

(a) Any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held, including without limitation those set forth on Exhibit A attached hereto (collectively, the "Copyrights");

(b) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(c) Any and all design rights that may be available to Grantor now or hereafter existing, created, acquired or held;

(d) All patents, patent applications and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached hereto (collectively, the "Patents");

(e) Any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Grantor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C attached hereto (collectively, the "Trademarks");

(f) All mask works or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired, including, without limitation those set forth on Exhibit D attached hereto (collectively, the "Mask Works");

(g) Any and all claims for damages by way of past, present and future infringements of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

(h) All licenses or other rights to use any of the Copyrights, Patents, Trademarks, or Mask Works and all license fees and royalties arising from such use to the extent permitted by such license or rights;

(i) All amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks, Patents, or Mask Works; and

(j) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

This security interest is granted in conjunction with the security interest granted to Agent, for the ratable benefit of the Lenders, under the Loan Agreement. The rights and remedies of Agent with respect to the security interest granted hereby are in addition to those set forth in the Loan Agreement and the other Loan Documents, and those which are now or hereafter available to Agent as a matter of law or equity. Each right, power and remedy of Agent provided for herein or in the Loan Agreement or any of the Loan Documents, or now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein and the exercise by Agent of any one or more of the rights, powers or remedies provided for in this Intellectual Property Security Agreement, the Loan Agreement or any of the other Loan Documents, or now or hereafter existing at law or in equity, shall not preclude the simultaneous or later exercise by any person, including Agent, of any or all other rights, powers or remedies.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have caused this Intellectual Property Security Agreement to be duly executed by its officers thereunto duly authorized as of the first date written above.

GRANTOR:

Address of Grantor:

AVID BIOSERVICES, INC.

By: /s/ Steven King

Attn:

Title: President

AGENT:

Address of Agent:

MIDCAP FUNDING I, LLC

7735 Old Georgetown Road, Suite 400
Bethesda, Maryland 20814
Attn: Portfolio Management- Life Sciences

By: /s/ Joshua Groman

Title: Managing Director

EXHIBIT A

Copyrights

Description	Registration/ Application Number	Registration/ Application Date
None		

EXHIBIT B

Patents

Description	Registration/ Application Number	Registration/ Application Date
None		

EXHIBIT C

Trademarks

Description	Registration/ Application Number	Registration/ Application Date
None		

EXHIBIT D

Mask Works

Description	Registration/ Application Number	Registration/ Application Date
None		

Exhibit 10.115

INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Intellectual Property Security Agreement is entered into as of December 19, 2008 by and between MIDCAP FUNDING I, LLC ("Agent") and PEREGRINE PHARMACEUTICALS, INC. ("Grantor").

RECITALS

A. The Lenders have agreed to make certain advances of money and to extend certain financial accommodation to Grantor (the "Loans") in the amounts and manner set forth in that certain Loan and Security Agreement by and between Agent, the Lenders, Avid BioServices, Inc. and Grantor dated the Effective Date (as the same may be amended, modified or supplemented from time to time, the "Loan Agreement"; capitalized terms used herein are used as defined in the Loan Agreement). The Lenders are willing to make the Loans to Grantor, but only upon the condition, among others, that Grantor shall grant to Agent, for the ratable benefit of the Lenders, a security interest in certain Copyrights, Trademarks, Patents, and Mask Works (as each term is described below) to secure the obligations of Grantor under the Loan Agreement.

B. Pursuant to the terms of the Loan Agreement, Grantor has granted to Agent, for the ratable benefit of the Lenders, a security interest in all of Grantor's right, title and interest, whether presently existing or hereafter acquired, in, to and under all of the Collateral.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound, as collateral security for the prompt and complete payment when due of its obligations under the Loan Agreement, Grantor hereby represents, warrants, covenants and agrees as follows:

AGREEMENT

To secure its obligations under the Loan Agreement, Grantor grants and pledges to Agent, for the ratable benefit of the Lenders, a security interest in all of Grantor's right, title and interest in, to and under its intellectual property (all of which shall collectively be called the "Intellectual Property Collateral"), including, without limitation, the following:

(a) Any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, now or hereafter existing, created, acquired or held, including without limitation those set forth on Exhibit A attached hereto (collectively, the "Copyrights");

(b) Any and all trade secrets, and any and all intellectual property rights in computer software and computer software products now or hereafter existing, created, acquired or held;

(c) Any and all design rights that may be available to Grantor now or hereafter existing, created, acquired or held;

(d) All patents, patent applications and like protections including, without limitation, improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, including without limitation the patents and patent applications set forth on Exhibit B attached hereto (collectively, the "Patents");

(e) Any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Grantor connected with and symbolized by such trademarks, including without limitation those set forth on Exhibit C attached hereto (collectively, the "Trademarks");

(f) All mask works or similar rights available for the protection of semiconductor chips, now owned or hereafter acquired, including, without limitation those set forth on Exhibit D attached hereto (collectively, the "Mask Works");

(g) Any and all claims for damages by way of past, present and future infringements of any of the rights included above, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the intellectual property rights identified above;

(h) All licenses or other rights to use any of the Copyrights, Patents, Trademarks, or Mask Works and all license fees and royalties arising from such use to the extent permitted by such license or rights;

(i) All amendments, extensions, renewals and extensions of any of the Copyrights, Trademarks, Patents, or Mask Works; and

(j) All proceeds and products of the foregoing, including without limitation all payments under insurance or any indemnity or warranty payable in respect of any of the foregoing.

This security interest is granted in conjunction with the security interest granted to Agent, for the ratable benefit of the Lenders, under the Loan Agreement. The rights and remedies of Agent with respect to the security interest granted hereby are in addition to those set forth in the Loan Agreement and the other Loan Documents, and those which are now or hereafter available to Agent as a matter of law or equity. Each right, power and remedy of Agent provided for herein or in the Loan Agreement or any of the Loan Documents, or now or hereafter existing at law or in equity shall be cumulative and concurrent and shall be in addition to every right, power or remedy provided for herein and the exercise by Agent of any one or more of the rights, powers or remedies provided for in this Intellectual Property Security Agreement, the Loan Agreement or any of the other Loan Documents, or now or hereafter existing at law or in equity, shall not preclude the simultaneous or later exercise by any person, including Agent, of any or all other rights, powers or remedies.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have caused this Intellectual Property Security Agreement to be duly executed by its officers thereunto duly authorized as of the first date written above.

GRANTOR:

PEREGRINE PHARMACEUTICALS, INC.

By: /s/ Steven King

Title: President and CEO

Address of Grantor:

14282 Franklin Avenue
Tustin, California 92780
Attn: Paul Lytle

AGENT:

MIDCAP FUNDING I, LLC

By: /s/ Joshua Groman

Title: Managing Director

Address of Agent:

7735 Old Georgetown Road, Suite 400
Bethesda, Maryland 20814
Attn: Portfolio Management- Life Sciences

EXHIBIT A

Copyrights

Description	Registration/ Application Number	Registration/ Application Date
NONE	N/A	N/A

EXHIBIT B

Patents

Description	Registration/ Application Number	Registration/ Application Date
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	6,827,925	12/07/2004
COMPOSITION AND METHOD FOR TREATING CANCER AND IMMUNOLOGICAL DISORDERS RESULTING IN CHRONIC CONDITIONS	6,255,291	07/03/2001
DETECTION OF NECROTIC MALIGNANT TISSUE AND ASSOCIATED THERAPY	6,071,491	06/06/2000
DETECTION OF NECROTIC MALIGNANT TISSUE AND ASSOCIATED THERAPY	6,017,514	01/25/2000
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	5,990,286	11/23/1999
DETECTION OF NECROTIC MALIGNANT TISSUE AND ASSOCIATED THERAPY	5,882,626	03/16/1999
METHOD OF DIAGNOSING BY DETERMINING FORMIC ACID TO NICOTINIC ACID RATIO	5,879,880	04/25/1997
MODIFIED ANTIBODIES	5,194,594	03/16/1993
DETECTION OF NECROTIC MALIGNANT TISSUE AND ASSOCIATED THERAPY	5,019,368	05/28/1991
CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR USE IN DISEASE TREATMENT	11/339,392	01/24/2006
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	10/890,945	07/13/2004
METHODS AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	10/877,959	06/25/2004
COMBINED COMPOSITIONS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT (Abandoned)	10/259,244	09/27/2002

COMBINED METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT (Abandoned)	10/259,236	09/27/2002
COMBINED METHODS FOR TUMOR VASCULATURE COAGULIGAND TREATMENT (Abandoned)	10/259,227	09/27/2002
COMBINED COMPOSITIONS FOR TUMOR VASCULATURE COAGULIGAND TREATMENT (Abandoned)	10/259,223	09/27/2002
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	PCT/US06/002964	01/24/2006
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	AU 2006206187	08/01/2007
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	CA 2,591,914	06/20/2007
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	CN 200680007064.8	09/04/2007
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	EP 06719706.1	08/22/2007
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	IL 184406	07/04/2007
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	IN 5739/DELNP/2007	07/24/2007
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	JP 2007-552418	07/23/2007
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	NZ 556065	06/22/2007
Fc FUSION CONSTRUCTS BINDING TO PHOSPHATIDYLSERINE AND THEIR THERAPEUTIC USE	SG 200704601-4	06/20/2007

METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	PCT/US04/020492	06/25/2004
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	AU 2004253924	11/25/2005
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	BE 1 638 989	07/30/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	CA 2,527,054	11/24/2005
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	CH 1 638 989	07/30/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	CN 200480017742.X	12/23/2005
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	DE 60 2004 015 454	07/30/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	DN 1 638 989	07/30/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	EP 2004785799	01/09/2006
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	EP 08010871.5	06/13/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	FI 1 638 989	07/30/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	FR 1 638 989	07/30/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	GB 1 638 989	07/30/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	HK 06109573.0	08/28/2006
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	IE 1 638 989	07/30/2008
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	IN 419/DELNP/2006	01/23/2006
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	NL 1 638 989	07/30/2008

METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	NZ 543495	11/10/2005
METHOD AND APPARATUS FOR CONTINUOUS LARGE-SCALE RADIOLABELING OF PROTEINS	SE 1 638 989	07/30/2008
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	PCT/EP02/010913	09/27/2002
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	AU 2002362487	03/03/2004
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	CA 2461905	03/26/2004
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	EP 02800138.6	04/23/2004
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	HK 02800138.6	10/05/2004
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	NZ 532539	04/26/2004
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	MC 0 627 940	05/07/2003
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	NL 0 627 940	05/07/2003
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	PT 0 627 940	05/07/2003
COMBINED COMPOSITIONS AND METHODS FOR TUMOR VASCULATURE COAGULATION AND TREATMENT	SE 0 627 940	05/07/2003
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	AU 766564	07/02/1999
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	CA 2,336,114	07/02/1999
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	EP 1 092 028	07/02/1999

SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	DN 1 092 028	07/02/1999
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	FR 1 092 028	07/02/1999
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	GB 1 092 028	07/02/1999
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	NL 1 092 028	07/02/1999
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	JP 2000-558212	07/02/1999
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF	EP 0510644.2	05/17/2005
SPECIFIC BINDING PROTEINS INCLUDING ANTIBODIES WHICH BIND TO THE NECROTIC CENTRE OF TUMOURS, AND USES THEREOF (HONG KONG)	HK 06108478.8	7/2/1999
MODIFIED ANTIBODIES	EP 0 550 663	08/28/1991
MODIFIED ANTIBODIES	DN 0 550 663	08/28/1991
MODIFIED ANTIBODIES	FR 0 550 663	08/28/1991
MODIFIED ANTIBODIES	GB 0 550 663	08/28/1991
MODIFIED ANTIBODIES	IT 0 550 663	08/28/1991
MODIFIED ANTIBODIES	CH 0 550 663	08/28/1991
MODIFIED ANTIBODIES	CA 2,090,700	08/28/1991
MODIFIED ANTIBODIES	JP 3549525	08/28/1991
MODIFIED ANTIBODIES	JP 2004-13610	08/28/1991
MODIFIED ANTIBODIES	AU 649079	08/28/1991
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	EP 0 873 139	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	AU 0 873 139	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	CH 0 873 139	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	DN 0 873 139	01/06/1997

ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	ES 0 873 139	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	FR 0 873 139	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	GB 0 873 139	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	IT 0 873 139	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	RU 0 873 139	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	AU 730388	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	CA 2242750	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	JP 525384/1997	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	KR 485240	01/06/1997
ANTIBODIES WITH REDUCED NET POSITIVE CHARGE	MX 985565	01/06/1997

EXHIBIT C

Trademarks

Description	Registration/ Application Number	Registration/ Application Date
AVID BIOSERVICES, INC. (Registered)	3,362,424	01/01/2008
AVID BIOSERVICES (Registered)	3,348,388	12/04/2007
COTARA (Registered)	2,817,648	02/24/2004

EXHIBIT D

Mask Works

Description	Registration/ Application Number	Registration/ Application Date

Exhibit 10.116

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

WARRANT TO PURCHASE STOCK

Company:	PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation
Number of Shares:	507,614, plus all Additional Shares which Holder is entitled to purchase pursuant to Section 1.7
Class of Stock:	Common
Warrant Price:	$0.2955
Issue Date:	December 19, 2008
Expiration Date:	The 5th anniversary after the Issue Date or the earlier expiration of this Warrant pursuant to Section 1.6.2(A)(ii)
Credit Facility:	This Warrant is issued in connection with the Credit Extensions referenced in the Loan and Security Agreement among Company, Avid BioServices, Inc., BlueCrest Capital Finance, L.P., as Administrative Agent and as a lender, and the other lenders named therein, dated of even date herewith (the "Loan Agreement")

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, BlueCrest Capital Finance, L.P. ("BlueCrest", together with any registered holder from time to time of this Warrant or any holder of the shares issuable or issued upon exercise of this Warrant, "Holder") is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the "Shares") of the Company at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant being exercised minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.

1.3 Fair Market Value.

1.3.1 If the Company's common stock is traded in a public market, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company's initial public offering, the "price to public" per share price specified in the final prospectus relating to such offering). If the Company's common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment (the "Company Determination").

1.3.2 If the Holder disagrees with the Company Determination and by notice to the Company given within twenty (20) days after receipt of notice of the Company Determination (an "Appraisal Notice") elects to dispute the Company Determination, such dispute shall be resolved as set forth in Section 1.3.3 below.

1.3.3 For a period of ten (10) days after the Appraisal Notice, the Company and the Holder shall negotiate in good faith to resolve their differences as to the determination of fair market value. In the absence of a mutually satisfactory resolution within such ten (10)-day period, the Company shall within ten (10) days after the last day of such ten (10)-day period engage an investment bank or other qualified appraisal firm reasonably acceptable to the Holder (the "Appraiser") to make an independent determination of fair market value (the "Appraiser Determination"). The Appraiser Determination shall be made within sixty (60) days of the engagement of such Appraiser, shall be evidenced in a written report addressed to the Company and the Holder, and shall be final and binding on the Company and the Holder. The costs of the Appraiser Determination shall be borne (i) solely by the Company if the difference between the Appraiser Determination and the Company Determination is greater than ten percent (10%), (ii) solely by the Holder if the difference between the Appraiser Determination and the Company Determination is less than ten percent (10%) and (iii) equally by the Company and the Holder if the difference between the Appraiser Determination and the Company Determination is equal to ten percent (10%).

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 Treatment of Warrant Upon Acquisition of Company.

1.6.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than fifty percent (50%) of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Treatment of Warrant at Acquisition.

(A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is not an asset sale and in which the sole consideration is cash, either (i) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition (subject to the automatic conversion provisions of Section 5.8 below). The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

(B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an “arms length” sale of all or substantially all of the Company’s assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a “True Asset Sale”), either (i) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

(C) Upon the closing of any Acquisition other than those particularly described in subsections (A) and (B) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used herein “Affiliate” shall mean any person or entity that owns or controls directly or indirectly ten percent (10%) or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and each of such person’s or entity’s officers, directors, joint venturers or partners, as applicable.

1.7 Additional Shares. Upon the funding of Tranche Two (as defined in the Loan Agreement), the Company shall be deemed to have automatically granted to Holder, in addition to the number of Shares which this Warrant can otherwise be exercised for by Holder, the right to purchase that number of additional Shares, rounded upward to the nearest whole number, equal to 150,000 divided by the Warrant Price (such additional shares being called the "Additional Shares").

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If, at any time following the Issue Date, the Company declares or pays a dividend on the Shares payable in common stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 No Impairment. The Company shall not, by amendment of its Articles or Certificate (as applicable) of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

2.4 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.5 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to Holder as follows:

(a) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(b) The Company's capitalization table attached hereto as Schedule 1 is true and complete as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon any of its stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to effect any reclassification or recapitalization of any of its stock; (c) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (d) offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company's securities for cash, then, in connection with each such event, the Company shall give Holder: (1) at least ten (10) days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) above; (2) in the case of the matters referred to in (b) and (c) above at least ten (10) days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (d) above, the same notice as is given to the holders of such registration rights. Company will also provide information requested by Holder reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

3.3 Piggyback Registration Rights. If at any time the Company proposes to register for sale its common stock (other than a registration on Form S-4 or Form S-8, registrations relating solely to dividend investment plans, or any successor or similar forms), the Company shall give written notice (the "Piggyback Notice") at least twenty (20) days prior to such proposed registration to the Holder of the Company's intention to do so, of the registration form that has been selected by the Company and of the Holder's rights under this Article 3.3. Upon the written request of the Holder made within ten (10) days after receipt of the Piggyback Notice (which request shall specify the number of Shares the Holder wishes to include in such registration), the Company will use its reasonable best efforts to include, and to cause the underwriter or underwriters, if applicable, to include, in the proposed offering, on the same terms and conditions as the securities of the Company included in such offering, all shares of common stock that the Holder has validly requested be included pursuant to such notice (each such registration pursuant to this Article 3.3, a "Piggyback Registration") and the Company shall keep such registration statement in effect and maintain compliance with each federal and state law or regulation for the period necessary for such Holder to effect the proposed sale or other disposition (but in no event for a period greater than ninety (90) days); provided that if at any time after giving a Piggyback Notice and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register such securities, the Company may, at its election, give written notice of such determination to the Holder and, thereupon, shall be relieved of its obligation to register any of the common stock in connection with such abandoned registration, and in case of a determination by the Company to delay registration of its equity securities, the Company shall be permitted to delay the registration of the common stock for the same period as the delay in registering such other equity securities.

3.4 No Shareholder Rights. Except as provided in this Warrant, Holder will not have any rights as a shareholder of the Company until the exercise of this Warrant.

3.5 Certain Information. The Company agrees to provide Holder at any time and from time to time with such information as Holder may reasonably request for purposes of Holder's compliance with regulatory, accounting and reporting requirements applicable to Holder.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF HOLDER. Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder will be acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

ARTICLE 5. MISCELLANEOUS.

5.1 Term. This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

> THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and, if applicable, Rule 144(e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale filed in accordance with 144(h).

5.4 Transfer Procedure. Subject to the provisions of Article 5.3 and unless the resale of the Shares issuable upon exercise of this Warrant are then registered on an effective registration statement, upon providing the Company with written notice, any Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, any Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant or the Shares to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such Holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

BlueCrest Capital Finance, L.P.
225 West Washington, Suite 200
Chicago, Illinois 60606
Attn: Mark King
Facsimile: (312) 443-0126

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

Peregrine Pharmaceuticals, Inc.
Attn: Paul Lytle
14282 Franklin Avenue
Tustin, California 92780
Facsimile: (714) 838-5817

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to Holder.

5.9 Counterparts. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

5.10 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its principles regarding conflicts of law.

[Signature page follows.]

“COMPANY”

PEREGRINE PHARMACEUTICALS, INC.

By:/s/ Steven King
Name: Steven King
Title: President and CEO

“HOLDER”

BLUECREST CAPITAL FINANCE, L.P.
By: BlueCrest Capital Finance GP, LLC, its General Partner,

By:/s/ Mark King
Name: Mark King
Title: Managing Director

SCHEDULE 1

CAPITALIZATION TABLE

Authorized Capital:
Common Stock, 325,000,000
Preferred Stock 5,000,000[1]

Shares of Common Stock Issued and Outstanding as of December 5, 2008	226,210,617
Common shares reserved for issuance upon exercise of outstanding options or reserved for future option grants under our stock incentive plans	15,534,845
Common shares reserved for issuance upon exercise of outstanding warrants	-
Shares reserved for issuance under two effective shelf registration statements	5,030,634
Total Shares of Common Stock Issued and Reserved for Issuance	246,776,096[2]

[1] There are no shares of Preferred Stock issued and outstanding as of December 5, 2008.
[2] Excludes shares of Common Stock available for issuance under Registration Statement No. 333-139975, under which Peregrine may issue, from time to time, in one or more offerings, shares of Common Stock for remaining gross proceeds of up to $7,500,000.

APPENDIX 1

NOTICE OF EXERCISE

1. Holder elects to purchase _____ shares of the Common/Series _____ Preferred [strike one] Stock of _____ pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

[or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for _____ of the Shares covered by the Warrant.

[Strike paragraph that does not apply.]

2. Please issue a certificate or certificates representing the shares in the name specified below:

_____
Holders Name

_____

_____
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof.

HOLDER:

_____

By: _____

Name: _____

Title: _____

(Date): _____

Exhibit 10.117

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

WARRANT TO PURCHASE STOCK

Company:	PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation
Number of Shares:	1,184,433, plus all Additional Shares which Holder is entitled to purchase pursuant to Section 1.7
Class of Stock:	Common
Warrant Price:	$0.2955
Issue Date:	December 19, 2008
Expiration Date:	The 5th anniversary after the Issue Date or the earlier expiration of this Warrant pursuant to Section 1.6.2(A)(ii)
Credit Facility:	This Warrant is issued in connection with the Credit Extensions referenced in the Loan and Security Agreement among Company, Avid BioServices, Inc., BlueCrest Capital Finance, L.P., as Administrative Agent and as a lender, and the other lenders named therein, dated of even date herewith (the "Loan Agreement")

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, MIDCAP FUNDING I, LLC ("MidCap", together with any registered holder from time to time of this Warrant or any holder of the shares issuable or issued upon exercise of this Warrant, "Holder") is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the "Shares") of the Company at the Warrant Price, all as set forth above and as adjusted pursuant to Article 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1. EXERCISE.

1.1 Method of Exercise. Holder may exercise this Warrant by delivering a duly executed Notice of Exercise in substantially the form attached as Appendix 1 to the principal office of the Company. Unless Holder is exercising the conversion right set forth in Article 1.2, Holder shall also deliver to the Company a check, wire transfer (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares being purchased.

1.2 Conversion Right. In lieu of exercising this Warrant as specified in Article 1.1, Holder may from time to time convert this Warrant, in whole or in part, into a number of Shares determined by dividing (a) the aggregate fair market value of the Shares or other securities otherwise issuable upon exercise of this Warrant being exercised minus the aggregate Warrant Price of such Shares by (b) the fair market value of one Share. The fair market value of the Shares shall be determined pursuant to Article 1.3.

1.3 Fair Market Value.

1.3.1 If the Company's common stock is traded in a public market, the fair market value of each Share shall be the closing price of a Share reported for the business day immediately before Holder delivers its Notice of Exercise to the Company (or in the instance where the Warrant is exercised immediately prior to the effectiveness of the Company's initial public offering, the "price to public" per share price specified in the final prospectus relating to such offering). If the Company's common stock is not traded in a public market, the Board of Directors of the Company shall determine fair market value in its reasonable good faith judgment (the "Company Determination").

1.3.2 If the Holder disagrees with the Company Determination and by notice to the Company given within twenty (20) days after receipt of notice of the Company Determination (an "Appraisal Notice") elects to dispute the Company Determination, such dispute shall be resolved as set forth in Section 1.3.3 below.

1.3.3 For a period of ten (10) days after the Appraisal Notice, the Company and the Holder shall negotiate in good faith to resolve their differences as to the determination of fair market value. In the absence of a mutually satisfactory resolution within such ten (10)-day period, the Company shall within ten (10) days after the last day of such ten (10)-day period engage an investment bank or other qualified appraisal firm reasonably acceptable to the Holder (the "Appraiser") to make an independent determination of fair market value (the "Appraiser Determination"). The Appraiser Determination shall be made within sixty (60) days of the engagement of such Appraiser, shall be evidenced in a written report addressed to the Company and the Holder, and shall be final and binding on the Company and the Holder. The costs of the Appraiser Determination shall be borne (i) solely by the Company if the difference between the Appraiser Determination and the Company Determination is greater than ten percent (10%), (ii) solely by the Holder if the difference between the Appraiser Determination and the Company Determination is less than ten percent (10%) and (iii) equally by the Company and the Holder if the difference between the Appraiser Determination and the Company Determination is equal to ten percent (10%).

1.4 Delivery of Certificate and New Warrant. Promptly after Holder exercises or converts this Warrant and, if applicable, the Company receives payment of the aggregate Warrant Price, the Company shall deliver to Holder certificates for the Shares acquired and, if this Warrant has not been fully exercised or converted and has not expired, a new Warrant representing the Shares not so acquired.

1.5 Replacement of Warrants. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation on surrender and cancellation of this Warrant, the Company shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

1.6 Treatment of Warrant Upon Acquisition of Company.

1.6.1 "Acquisition". For the purpose of this Warrant, "Acquisition" means any sale, license, or other disposition of all or substantially all of the assets of the Company, or any reorganization, consolidation, or merger of the Company where the holders of the Company's securities before the transaction beneficially own less than fifty percent (50%) of the outstanding voting securities of the surviving entity after the transaction.

1.6.2 Treatment of Warrant at Acquisition.

(A) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is not an asset sale and in which the sole consideration is cash, either (i) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will expire upon the consummation of such Acquisition (subject to the automatic conversion provisions of Section 5.8 below). The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

(B) Upon the written request of the Company, Holder agrees that, in the event of an Acquisition that is an “arms length” sale of all or substantially all of the Company’s assets (and only its assets) to a third party that is not an Affiliate (as defined below) of the Company (a “True Asset Sale”), either (i) Holder shall exercise its conversion or purchase right under this Warrant and such exercise will be deemed effective immediately prior to the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will continue until the Expiration Date if the Company continues as a going concern following the closing of any such True Asset Sale. The Company shall provide Holder with written notice of its request relating to the foregoing (together with such reasonable information as Holder may request in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than ten (10) days prior to the closing of the proposed Acquisition.

(C) Upon the closing of any Acquisition other than those particularly described in subsections (A) and (B) above, the successor entity shall assume the obligations of this Warrant, and this Warrant shall be exercisable for the same securities, cash, and property as would be payable for the Shares issuable upon exercise of the unexercised portion of this Warrant as if such Shares were outstanding on the record date for the Acquisition and subsequent closing. The Warrant Price and/or number of Shares shall be adjusted accordingly.

As used herein “Affiliate” shall mean any person or entity that owns or controls directly or indirectly ten percent (10%) or more of the stock of Company, any person or entity that controls or is controlled by or is under common control with such persons or entities, and each of such person’s or entity’s officers, directors, joint venturers or partners, as applicable.

1.7 Additional Shares. Upon the funding of Tranche Two (as defined in the Loan Agreement), the Company shall be deemed to have automatically granted to Holder, in addition to the number of Shares which this Warrant can otherwise be exercised for by Holder, the right to purchase that number of additional Shares, rounded upward to the nearest whole number, equal to 350,000 divided by the Warrant Price (such additional shares being called the "Additional Shares").

ARTICLE 2. ADJUSTMENTS TO THE SHARES.

2.1 Stock Dividends, Splits, Etc. If, at any time following the Issue Date, the Company declares or pays a dividend on the Shares payable in common stock, or other securities, then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without cost to Holder, the total number and kind of securities to which Holder would have been entitled had Holder owned the Shares of record as of the date the dividend occurred. If the Company subdivides the Shares by reclassification or otherwise into a greater number of shares, the number of shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any reclassification, exchange, substitution, or other event that results in a change of the number and/or class of the securities issuable upon exercise or conversion of this Warrant, Holder shall be entitled to receive, upon exercise or conversion of this Warrant, the number and kind of securities and property that Holder would have received for the Shares if this Warrant had been exercised immediately before such reclassification, exchange, substitution, or other event. The Company or its successor shall promptly issue to Holder an amendment to this Warrant setting forth the number and kind of such new securities or other property issuable upon exercise or conversion of this Warrant as a result of such reclassification, exchange, substitution or other event that results in a change of the number and/or class of securities issuable upon exercise or conversion of this Warrant. The amendment to this Warrant shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 2 including, without limitation, adjustments to the Warrant Price and to the number of securities or property issuable upon exercise of the new Warrant. The provisions of this Article 2.2 shall similarly apply to successive reclassifications, exchanges, substitutions, or other events.

2.3 No Impairment. The Company shall not, by amendment of its Articles or Certificate (as applicable) of Incorporation or through a reorganization, transfer of assets, consolidation, merger, dissolution, issue, or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed under this Warrant by the Company, but shall at all times in good faith assist in carrying out of all the provisions of this Article 2 and in taking all such action as may be necessary or appropriate to protect Holder's rights under this Article against impairment.

2.4 Fractional Shares. No fractional Shares shall be issuable upon exercise or conversion of this Warrant and the number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise or conversion of the Warrant, the Company shall eliminate such fractional share interest by paying Holder the amount computed by multiplying the fractional interest by the fair market value of a full Share.

2.5 Certificate as to Adjustments. Upon each adjustment of the Warrant Price, the Company shall promptly notify Holder in writing, and, at the Company's expense, promptly compute such adjustment, and furnish Holder with a certificate of its Chief Financial Officer setting forth such adjustment and the facts upon which such adjustment is based. The Company shall, upon written request, furnish Holder a certificate setting forth the Warrant Price in effect upon the date thereof and the series of adjustments leading to such Warrant Price.

ARTICLE 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to Holder as follows:

(a) All Shares which may be issued upon the exercise of the purchase right represented by this Warrant, and all securities, if any, issuable upon conversion of the Shares, shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

(b) The Company's capitalization table attached hereto as Schedule 1 is true and complete as of the Issue Date.

3.2 Notice of Certain Events. If the Company proposes at any time (a) to declare any dividend or distribution upon any of its stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend; (b) to effect any reclassification or recapitalization of any of its stock; (c) to merge or consolidate with or into any other corporation, or sell, lease, license, or convey all or substantially all of its assets, or to liquidate, dissolve or wind up; or (d) offer holders of registration rights the opportunity to participate in an underwritten public offering of the Company's securities for cash, then, in connection with each such event, the Company shall give Holder: (1) at least ten (10) days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of common stock will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) above; (2) in the case of the matters referred to in (b) and (c) above at least ten (10) days prior written notice of the date when the same will take place (and specifying the date on which the holders of common stock will be entitled to exchange their common stock for securities or other property deliverable upon the occurrence of such event); and (3) in the case of the matter referred to in (d) above, the same notice as is given to the holders of such registration rights. Company will also provide information requested by Holder reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

3.3 Piggyback Registration Rights. If at any time the Company proposes to register for sale its common stock (other than a registration on Form S-4 or Form S-8, registrations relating solely to dividend investment plans, or any successor or similar forms), the Company shall give written notice (the "Piggyback Notice") at least twenty (20) days prior to such proposed registration to the Holder of the Company's intention to do so, of the registration form that has been selected by the Company and of the Holder's rights under this Article 3.3. Upon the written request of the Holder made within ten (10) days after receipt of the Piggyback Notice (which request shall specify the number of Shares the Holder wishes to include in such registration), the Company will use its reasonable best efforts to include, and to cause the underwriter or underwriters, if applicable, to include, in the proposed offering, on the same terms and conditions as the securities of the Company included in such offering, all shares of common stock that the Holder has validly requested be included pursuant to such notice (each such registration pursuant to this Article 3.3, a "Piggyback Registration") and the Company shall keep such registration statement in effect and maintain compliance with each federal and state law or regulation for the period necessary for such Holder to effect the proposed sale or other disposition (but in no event for a period greater than ninety (90) days); provided that if at any time after giving a Piggyback Notice and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register such securities, the Company may, at its election, give written notice of such determination to the Holder and, thereupon, shall be relieved of its obligation to register any of the common stock in connection with such abandoned registration, and in case of a determination by the Company to delay registration of its equity securities, the Company shall be permitted to delay the registration of the common stock for the same period as the delay in registering such other equity securities.

3.4 No Shareholder Rights. Except as provided in this Warrant, Holder will not have any rights as a shareholder of the Company until the exercise of this Warrant.

3.5 Certain Information. The Company agrees to provide Holder at any time and from time to time with such information as Holder may reasonably request for purposes of Holder's compliance with regulatory, accounting and reporting requirements applicable to Holder.

ARTICLE 4. REPRESENTATIONS, WARRANTIES OF HOLDER. Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder will be acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that Holder has not been formed for the specific purpose of acquiring this Warrant or the Shares.

4.2 Disclosure of Information. Holder has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares issuable upon exercise or conversion hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares issued upon any exercise or conversion hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available.

ARTICLE 5. MISCELLANEOUS.

5.1 Term. This Warrant is exercisable in whole or in part at any time and from time to time on or before the Expiration Date.

5.2 Legends. This Warrant and the Shares (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) shall be imprinted with a legend in substantially the following form:

> THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND APPLICABLE STATE SECURITIES LAW OR SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION IS EXEMPT FROM REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant (and the securities issuable, directly or indirectly, upon conversion of the Shares, if any) may not be transferred or assigned in whole or in part without compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an affiliate of Holder. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of current information as referenced in Rule 144(c), Holder represents that it has complied with Rule 144(d) and, if applicable, Rule 144(e) in reasonable detail, the selling broker represents that it has complied with Rule 144(f), and the Company is provided with a copy of Holder's notice of proposed sale filed in accordance with 144(h).

5.4 Transfer Procedure. Subject to the provisions of Article 5.3 and unless the resale of the Shares issuable upon exercise of this Warrant are then registered on an effective registration statement, upon providing the Company with written notice, any Holder may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant (or the Shares issuable directly or indirectly, upon conversion of the Shares, if any) to any transferee, provided, however, in connection with any such transfer, any Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable). The Company may refuse to transfer this Warrant or the Shares to any person who directly competes with the Company, unless, in either case, the stock of the Company is publicly traded.

5.5 Notices. All notices and other communications from the Company to Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company or Holder, as the case may (or on the first business day after transmission by facsimile) be, in writing by the Company or such Holder from time to time. Effective upon receipt of the fully executed Warrant and the initial transfer described in Article 5.4 above, all notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

MidCap Funding I, LLC
7735 Old Georgetown Road, Suite 400
Bethesda, Maryland 20814
Attn: Will Gould
Facsimile: (301) 941-1450

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

Peregrine Pharmaceuticals, Inc.
Attn: Paul Lytle
14282 Franklin Avenue
Tustin, California 92780
Facsimile: (714) 838-5817

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Automatic Conversion upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be converted pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised or converted, and the Company shall promptly deliver a certificate representing the Shares (or such other securities) issued upon such conversion to Holder.

5.9 Counterparts. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement.

5.10 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to its principles regarding conflicts of law.

[Signature page follows.]

“COMPANY”

PEREGRINE PHARMACEUTICALS, INC.

By:/s/ Steven King
Name: Steven King
Title: President and CEO

“HOLDER”

MIDCAP FUNDING I, LLC

By:/s/ Joshua Groman
Name: Joshua Groman
Title: Managing Director

SCHEDULE 1

CAPITALIZATION TABLE

Authorized Capital:
Common Stock, 325,000,000
Preferred Stock 5,000,000[1]

Shares of Common Stock Issued and Outstanding as of December 5, 2008	226,210,617
Common shares reserved for issuance upon exercise of outstanding options or reserved for future option grants under our stock incentive plans	15,534,845
Common shares reserved for issuance upon exercise of outstanding warrants	-
Shares reserved for issuance under two effective shelf registration statements	5,030,634
Total Shares of Common Stock Issued and Reserved for Issuance	246,776,096[2]

[1] There are no shares of Preferred Stock issued and outstanding as of December 5, 2008.
[2] Excludes shares of Common Stock available for issuance under Registration Statement No. 333-139975, under which Peregrine may issue, from time to time, in one or more offerings, shares of Common Stock for remaining gross proceeds of up to $7,500,000.

APPENDIX 1

NOTICE OF EXERCISE

1. Holder elects to purchase _____ shares of the Common/Series _____ Preferred [strike one] Stock of _____ pursuant to the terms of the attached Warrant, and tenders payment of the purchase price of the shares in full.

[or]

1. Holder elects to convert the attached Warrant into Shares/cash [strike one] in the manner specified in the Warrant. This conversion is exercised for _____ of the Shares covered by the Warrant.

[Strike paragraph that does not apply.]

2. Please issue a certificate or certificates representing the shares in the name specified below:

_____
Holders Name

_____

_____
(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Article 4 of the Warrant as the date hereof.

HOLDER:

_____

By: _____

Name: _____

Title: _____

(Date): _____

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Steven W. King, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Peregrine Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: March 11, 2009

Signed: /s/ STEVEN W. KING

Steven W. King
President, Chief Executive Officer, and Director

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Paul J. Lytle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Peregrine Pharmaceuticals, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: March 11, 2009

Signed: /s/ PAUL J. LYTLE

Paul J. Lytle
Chief Financial Officer

Exhibit 32

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

I, Steven W. King, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q for the quarter ended January 31, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By:	/s/ STEVEN W. KING
Name:	Steven W. King
Title:	President, Chief Executive Officer, and Director
Date:	March 11, 2009

I, Paul J. Lytle, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q for the quarter ended January 31, 2009 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By:	/s/ PAUL J. LYTLE
Name:	Paul J. Lytle
Title:	Chief Financial Officer
Date:	March 11, 2009

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

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