

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2000

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

Commission file number 0-17085

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

Delaware
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

95-3698422
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

14282 Franklin Avenue, Tustin, California
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

92780-7017
(ZIP CODE)

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

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

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

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

89,676,960 shares of Common Stock
outstanding as of March 1, 2000

TECHNICLONE CORPORATION
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE THIRD QUARTER ENDED JANUARY 31, 2000

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THE TERMS "WE", "US", "OUR," AND "THE COMPANY" AS USED IN THIS FORM ON 10-Q REFERS TO TECHNICLONE CORPORATION, TECHNICLONE INTERNATIONAL CORPORATION, ITS FORMER SUBSIDIARY, CANCER BIOLOGICS INCORPORATED, WHICH WAS MERGED INTO THE COMPANY IN JULY, 1994 AND ITS WHOLLY-OWNED SUBSIDIARY PEREGRINE PHARMACEUTICALS, INC., WHICH WAS ACQUIRED IN APRIL, 1997.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TECHNICLONE CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF JANUARY 31, 2000 AND APRIL 30, 1999

| | JANUARY 31, 2000 | APRIL 30, 1999 |
|---|---------------------|-------------------|
| | ----- UNAUDITED | ----- |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2,671,000 | \$ 2,385,000 |
| Other receivables, net of allowance for doubtful accounts of \$363,000 (2000) and \$201,000 (1999) | 127,000 | 279,000 |
| Inventories | 49,000 | 57,000 |
| Prepaid expenses and other current assets | 269,000 | 280,000 |
| Covenant not-to-compete with former officer | 39,000 | 213,000 |
| | ----- | ----- |
| Total current assets | 3,155,000 | 3,214,000 |
| PROPERTY: | | |
| Laboratory equipment | 2,250,000 | 2,098,000 |
| Leasehold improvements | 73,000 | 71,000 |
| Furniture, fixtures and computer equipment | 869,000 | 838,000 |
| | ----- | ----- |
| | 3,192,000 | 3,007,000 |
| Less accumulated depreciation and amortization | (1,453,000) | (1,067,000) |
| | ----- | ----- |
| Property, net | 1,739,000 | 1,940,000 |
| OTHER ASSETS: | | |
| Note receivable, net of allowance for doubtful note of \$1,825,000 (2000) and zero (1999) | - | 1,863,000 |
| Other, net | 147,000 | 353,000 |
| | ----- | ----- |
| Total other assets | 147,000 | 2,216,000 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 5,041,000 | \$ 7,370,000 |
| | ===== | ===== |

TECHNICLONE CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF JANUARY 31, 2000 AND APRIL 30, 1999 (CONTINUED)

| | JANUARY 31, 2000 | APRIL 30, 1999 |
|---|---------------------|-------------------|
| | UNAUDITED | |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 1,537,000 | \$ 898,000 |
| Deferred license revenue | 3,000,000 | 3,000,000 |
| Accrued clinical trial site fees | 919,000 | 691,000 |
| Notes payable | 108,000 | 106,000 |
| Accrued legal and accounting fees | 192,000 | 314,000 |
| Accrued royalties and license fees | 368,000 | 310,000 |
| Other current liabilities | 659,000 | 686,000 |
| | ----- | ----- |
| Total current liabilities | 6,783,000 | 6,005,000 |
| NOTES PAYABLE | 3,416,000 | 3,498,000 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' DEFICIT: | | |
| Preferred stock- \$.001 par value; authorized 5,000,000 shares: Class C convertible preferred stock, shares outstanding - no shares (2000); 121 shares (1999) | - | - |
| Common stock-\$.001 par value; authorized 150,000,000 shares; outstanding - 87,557,600 shares (2000); 73,372,205 shares (1999) | 88,000 | 73,000 |
| Additional paid-in capital | 98,884,000 | 90,779,000 |
| Accumulated deficit | (104,130,000) | (92,678,000) |
| | ----- | ----- |
| Less notes receivable from sale of common stock | (5,158,000) | (1,826,000) |
| | - | (307,000) |
| | ----- | ----- |
| Total stockholders' deficit | (5,158,000) | (2,133,000) |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 5,041,000 | \$ 7,370,000 |
| | ===== | ===== |

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTH PERIODS ENDED JANUARY 31, 2000 AND 1999 (UNAUDITED)

| | THREE MONTHS ENDED | | NINE MONTHS ENDED | |
|--|-----------------------|-----------------------|------------------------|------------------------|
| | JANUARY 31, 2000 | JANUARY 31, 1999 | JANUARY 31, 2000 | JANUARY 31, 1999 |
| COSTS AND EXPENSES: | | | | |
| Research and development | \$ 1,786,000 | \$ 2,223,000 | \$ 6,528,000 | \$ 6,380,000 |
| General and administrative | 1,064,000 | 1,137,000 | 3,034,000 | 3,609,000 |
| Loss on disposal of property (non-cash) | - | 1,171,000 | - | 1,177,000 |
| Provision for uncollectable note receivable (non-cash) | - | - | 1,887,000 | - |
| Interest | 103,000 | 33,000 | 279,000 | 369,000 |
| Total costs and expenses | 2,953,000 | 4,564,000 | 11,728,000 | 11,535,000 |
| Interest and other income | 154,000 | 129,000 | 278,000 | 290,000 |
| NET LOSS | \$ (2,799,000) | \$ (4,435,000) | \$ (11,450,000) | \$ (11,245,000) |
| Net loss before preferred stock accretion and dividends | \$ (2,799,000) | \$ (4,435,000) | \$ (11,450,000) | \$ (11,245,000) |
| Preferred stock accretion and dividends: | | | | |
| Imputed dividends on Class C Preferred Stock | - | (3,000) | (2,000) | (14,000) |
| Accretion of Class C Preferred Stock Discount | - | - | - | (531,000) |
| Net Loss Applicable to Common Stock | \$ (2,799,000) | \$ (4,438,000) | \$ (11,452,000) | \$ (11,790,000) |
| Weighted Average Shares Outstanding | 81,885,308 | 67,222,176 | 78,390,042 | 64,469,856 |
| BASIC AND DILUTED LOSS PER SHARE | \$ (0.03) | \$ (0.07) | \$ (0.15) | \$ (0.18) |

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE NINE MONTHS ENDED JANUARY 31, 2000 (UNAUDITED)

| | PREFERRED SHARES | STOCK AMOUNT | COMMON SHARES | STOCK AMOUNT | ADDITIONAL PAID-IN CAPITAL | ACCUMULATED DEFICIT | NOTES RECEIVABLE FROM SALE OF COMMON STOCK | NET STOCKHOLDERS' DEFICIT |
|--|---------------------|-----------------|------------------|-----------------|----------------------------------|------------------------|---|---------------------------------|
| BALANCES - May 1, 1999 | 121 | \$ - | 73,372,205 | \$ 73,000 | \$ 90,779,000 | \$ (92,678,000) | \$ (307,000) | \$ (2,133,000) |
| Accretion of Class C preferred stock dividends | | | | | | (2,000) | | (2,000) |
| Common stock issued upon conversion of Class C preferred stock | (121) | | 312,807 | | | | | - |
| Common stock issued upon exercise of Class C warrants and Equity Line warrants | | | 343,950 | 1,000 | 31,000 | | | 32,000 |
| Common stock issued for cash upon exercise of stock options and other warrants | | | 2,550,351 | 3,000 | 2,152,000 | | | 2,155,000 |
| Common stock issued under the Equity Line and Subscription Agreement for cash | | | 10,115,789 | 10,000 | 4,463,000 | | | 4,473,000 |
| Stock issued for services and under severance agreement | | | 862,498 | 1,000 | 686,000 | | | 687,000 |
| Stock-based compensation | | | | | 773,000 | | | 773,000 |
| Payments on notes receivable from sale of common stock | | | | | | | 307,000 | 307,000 |
| Net loss | | | | | | (11,450,000) | | (11,450,000) |
| BALANCES - January 31, 2000 | - | \$ - | 87,557,600 | \$ 88,000 | \$ 98,884,000 | \$ (104,130,000) | \$ - | \$ (5,158,000) |

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 31, 2000 AND 1999 (UNAUDITED)

| | NINE MONTHS ENDED JANUARY 31, | |
|--|-------------------------------|-----------------|
| | 2000 | 1999 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (11,450,000) | \$ (11,245,000) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Provision for uncollectable note receivable | 1,887,000 | - |
| Loss on disposal of assets | - | 1,177,000 |
| Depreciation and amortization | 386,000 | 738,000 |
| Stock-based compensation and common stock issued for interest, services and under severance agreements | 1,460,000 | 887,000 |
| Severance expense | 174,000 | 421,000 |
| Changes in operating assets and liabilities: | | |
| Other receivables | 93,000 | 1,000 |
| Inventories, net | 8,000 | (58,000) |
| Prepaid expenses and other current assets | 11,000 | (83,000) |
| Other assets | 206,000 | - |
| Accounts payable and accrued legal and accounting fees | 517,000 | (71,000) |
| Accrued clinical trial site fees | 228,000 | 453,000 |
| Accrued royalties and license termination fees | 58,000 | (237,000) |
| Other accrued expenses and current liabilities | (27,000) | (201,000) |
| Net cash used in operating activities | (6,449,000) | (8,218,000) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Property acquisitions | (185,000) | (421,000) |
| Proceeds from the sale of property | - | 3,924,000 |
| Other assets | 35,000 | (131,000) |
| Net cash (used in) provided by investing activities | (150,000) | 3,372,000 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of common stock | 6,660,000 | 6,959,000 |
| Proceeds from issuance of Class C Preferred Stock | - | 530,000 |
| Payments received on notes receivable from sale of common stock | 307,000 | 27,000 |
| Proceeds from issuance of note payable | - | 200,000 |
| Principal payments on notes payable | (80,000) | (4,352,000) |
| Payment of Class C preferred stock dividends | (2,000) | (14,000) |
| Net cash provided by financing activities | 6,885,000 | 3,350,000 |

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED JANUARY 31, 2000 AND 1999 (UNAUDITED) (CONTINUED)

| | NINE MONTHS ENDED JANUARY 31, | |
|--|-------------------------------|----------------|
| | 2000 | 1999 |
| | ----- | ----- |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ 286,000 | \$ (1,496,000) |
| CASH AND CASH EQUIVALENTS, beginning of period | 2,385,000 | 1,736,000 |
| | ----- | ----- |
| CASH AND CASH EQUIVALENTS, end of period | \$ 2,671,000 | \$ 240,000 |
| | ===== | ===== |
| SUPPLEMENTAL INFORMATION: | | |
| Interest paid | \$ 213,000 | \$ 148,000 |
| | ===== | ===== |

 See accompanying notes to consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION. The accompanying unaudited financial statements in this quarterly report have been prepared in accordance with the instructions to Form 10-Q under section 13 or 15(d) of the Securities Act of 1934. The consolidated financial statements included herein should be read in conjunction with the consolidated financial statements of the Company, included in the Company's Annual Report on Form 10-K for the year ended April 30, 1999, filed with the Securities and Exchange Commission on July 28, 1999.

The unaudited financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements, the Company experienced losses in fiscal 1999 and during the first nine months of fiscal 2000 and has an accumulated deficit of \$104,130,000 at January 31, 2000. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at January 31, 2000 and 1999, and the consolidated results of its operations and its consolidated cash flows for the nine month periods ended January 31, 2000 and 1999. Results of operations for the interim periods covered by this Report may not necessarily be indicative of results of operations for the full fiscal year.

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

The Company believes it has sufficient cash on hand, and combined with amounts available pursuant to the Equity Line Agreement (assuming aggregate future draws of \$5,413,000) and anticipated amounts to be received from signed letters of intent to enter into collaboration agreements with SuperGen, Inc. and Oxigene, Inc., to meet its obligations on a timely basis through the first calendar quarter of 2001. The Company's ability to access funds under the Equity Line Agreement is subject to the satisfaction of certain conditions as further described in Note 3 to the accompanying financial statements. Each letter of intent provides for an exclusive period for the completion of a definitive agreement and will be subject to customary closing conditions. Although the Company believes it will enter into definitive agreements and will receive the related up-front payments under the terms as defined in the letters of intent, there can be no assurance that definitive agreements will be executed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JANUARY 31, 2000 (UNAUDITED) (CONTINUED)

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

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

NOTE RECEIVABLE. During December 1998, the Company completed the sale and subsequent leaseback of its two facilities and recorded an initial note receivable from the buyer of \$1,925,000. In accordance with the related lease agreement, if the Company is in default under the lease agreement, the note receivable shall be deemed to be immediately satisfied in full and the buyer shall have no further obligation to the Company for such note receivable. Although the Company had made all payments under the lease agreement and had not defaulted under any terms of the lease agreement, the Company established a 100% provision for the note receivable in the amount of \$1,887,000, which was recorded during the quarter ended October 31, 1999 due to the amount of cash on hand during December 1999. The Company will continue to adjust the estimated provision for the note receivable as payments are received. The Company has received all payments through March 1, 2000.

NET LOSS PER SHARE. Net loss per share is calculated by adding the net loss for the three and nine month periods to the Preferred Stock dividends and Preferred Stock issuance discount accretion on the Class C Preferred Stock during the three and nine month periods divided by the weighted average number of shares of Common Stock outstanding during the same period. Shares issuable upon the exercise of common stock warrants and options have been excluded from the per share calculation for the three and nine month periods ended January 31, 2000 and 1999 because their effect is antidilutive.

RECENT ACCOUNTING PRONOUNCEMENTS. Effective May 1, 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income, which establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. For the three and nine month periods ended January 31, 2000 and 1999, the Company did not have any components of comprehensive income as defined in SFAS No. 130.

The Company adopted SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information" on May 1, 1998. SFAS No. 131 established standards of reporting by publicly held businesses and disclosures of information about operating segments in annual financial statements, and to a lesser extent, in interim financial reports issued to stockholders. The adoption of SFAS No. 131 had no impact on the Company's consolidated financial statements as the Company operates in one industry segment engaged in the research, development and commercialization of targeted cancer therapeutics.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JANUARY 31, 2000 (UNAUDITED) (CONTINUED)

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

2. NOTES PAYABLE

On December 1, 1999, the Company defaulted on its monthly interest payment of \$27,500 to Biotechnology Development Ltd. on a \$3,300,000 note payable and did not file a registration statement with the Securities and Exchange Commissions to register 1,523,809 shares of common stock and warrants to purchase up to 4,825,000 shares of common stock by December 8, 1999 due to the limited amount of cash on hand at that time. The note payable and shares of common stock were issued to Biotechnology Development Ltd. upon the Company re-acquiring certain Oncolym(R) distribution rights. The original note payable bore simple interest at a rate of 10% per annum, payable monthly, and is due on March 1, 2001. The note was collateralized by all tangible assets of the Company, excluding tangible assets not located on the Company's Tustin, California premises and those assets previously pledged and held as collateral under separate agreements. On December 29, 1999, the Company obtained a waiver from Biotechnology Development Ltd. for the deferral of interest payments for up to nine months and an extension of time to register 1,523,809 shares of common stock and warrants to purchase up to 4,825,000 shares of common stock until the Company's next registration statement filing. In exchange for this waiver, the Company agreed to (i) increase the rate of interest from 10% per annum to 12% per annum on the note payable of \$3,300,000 effective December 1, 1999, (ii) replace the current collateral with the rights to the TNT technology (iii) extend the expiration date of 5,325,000 warrants to December 1, 2005 and (iv) only in the case of a merger, acquisition, or reverse stock split, re-price up to 5,325,000 warrants to an exercise price of \$0.34 per share. Biotechnology Development Ltd. is a limited partnership controlled by Mr. Edward Legere, a member of the Board of Directors since December 29, 1999.

3. STOCKHOLDERS' EQUITY

During June 1998, the Company secured access to \$20,000,000 under a Common Stock Equity Line ("Equity Line") with two institutional investors, expiring in June 2001. Under the terms of the Equity Line, the Company may, in its sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of the Company's Common Stock for up to \$20,000,000. Under the Equity Line, \$2,250,000 of Puts can be made every quarter, which amount may be increased up to \$5,000,000 by mutual agreement between the Company and the institutional investors. If the Company's closing bid price falls below \$1.00 on any day during the ten trading days prior to the Put, the Company's ability to

access funds under the Equity Line in the Put is limited to 15% of what would otherwise be available and if the closing bid price of the Company's Common Stock falls below \$0.50 or if the Company is delisted from The Nasdaq SmallCap Market, the Company would have no access to funds under the Equity Line. As of March 1, 2000, the Company had \$5,413,000 available for future Puts under the Equity Line.

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

At the time of each Put, the institutional investors are issued warrants, exercisable only on a cashless basis and expiring on December 31, 2004, to purchase up to 10% of the amount of Common Stock issued to the investor at the same price as the purchase of the shares sold in the Put.

Placement agent fees under each draw of the Equity Line are issued to Dunwoody Brokerage Services, Inc., which are equal to 10% of the common shares and warrants issued to the institutional investors plus an overall cash commission equal to 8% of the gross draw amount. Mr. Eric Swartz, a member of the Board of Directors, maintains a contractual right to 50% of the shares and warrants issued under the Equity Line in the name of Dunwoody Brokerage Services, Inc.

To maintain the Company operations during a period of time when the Company's stock was trading around \$0.50 per share, the Company issued 2,683,910 shares of common stock in exchange for gross proceeds of \$675,000 under two separate draws under the Equity Line, which occurred during the quarter ended January 31, 2000. On one Equity Line draw, the Company obtained a limited, one-time waiver from the institutional investors, whereby the investors reduced the minimum bid price requirement under the Equity Line Agreement from \$0.50 per share during the ten trading days immediately prior to the closing date for such funding to \$0.40 per share during such ten-day period.

On November 19, 1999, in consideration of a commitment by Swartz Private Equity, LLC to fund a \$35,000,000 equity line financing over a three year term, the Company issued Swartz Private Equity, LLC a five-year warrant to purchase up to 750,000 shares of the Company's Common Stock at an initial exercise price of \$0.46875 per share subject to reset provisions as defined in the agreement. This agreement was entered into and approved by the previous Board of Directors. Mr. Eric Swartz, a member of the Board of Directors, maintains a 50% ownership in Swartz Private Equity, LLC.

On December 29, 1999, Swartz Investments, LLC and Biotechnology Development Ltd. agreed to provide interim funding to the Company for up to \$500,000 to continue the operations of the Company and to avoid the Company from filing for protection from its creditors. During this period of time, the closing stock price was \$0.41 per share, the Company had minimal amount of cash

on hand, significant payables to vendors and patent attorneys, and the Company was near a time of being delisted from The NASDAQ Stock Market. On January 6, 2000, the Company entered into the final agreement, a Regulation D Subscription Agreement, whereby the Company received \$500,000 in exchange for an aggregate of 2,000,000 shares of common stock and issued warrants to purchase up to 2,000,000 shares of common stock at \$0.25 per share. Mr. Eric Swartz, a member of the Board of Directors, maintains a 50% ownership in Swartz Investments, LLC. Biotechnology Development Ltd. is controlled by Mr. Edward Legere. Mr. Legere was appointed to the Board of Directors on December 29, 1999.

During the quarter ended January 31, 2000, the Company issued 2,001,767 shares of common stock upon the exercise of outstanding options and warrants in exchange for gross proceeds of \$1,825,000. There are no further options or warrants outstanding to previous officers, board members or other employees of the Company.

During the quarter ended January 31, 2000, the Company issued 203,165 shares of common stock to various service vendors of the Company as payment of liabilities aggregating \$311,000. The issuance of shares of common stock in exchange for services were recorded based on the more readily determinable value of the services received or the fair value of the common stock issued.

4. STOCK OPTIONS

During December 1999, the Company had a minimal amount of cash on hand and certain employees of the Company were deferring a percentage of their salary. In addition, the Company had significant payables to vendors and patent attorneys and the Company was near a time of being delisted from The NASDAQ Stock Market. Also, the Company was aware of numerous employees who had job opportunities with companies who had stronger financial resources. In order for the Company to continue, the Board of Directors felt it was imperative for the Company to maintain certain key employees who were familiar with the Company's technologies, clinical trials and business activities. Therefore, on December 22, 1999, the Board of Directors granted 4,170,000 options to various employees, consultants and two Board members at exercise prices ranging from \$0.34 to \$30.00 per share. The majority of the options granted will vest upon the achievement of Company milestones as defined by the Board of Directors. Key milestones as defined by the Board will be based on significant licensing transactions, financing activities, meeting key clinical trial milestones, and research and development activities. The options were granted to purchase shares of the Company's common stock at prices not less than the fair market value of the stock at the date of grant and generally expire ten years after the date of grant.

5. LICENSE, RESEARCH AND DEVELOPMENT AGREEMENTS

On November 29, 1999, the Company entered into a 90-day option agreement with a multinational pharmaceutical company to potentially license a specific use of the TNT technology for a nonrefundable \$50,000 option fee. The Company is in continued negotiations with the multinational pharmaceutical company. There can be no assurances that the Company will be successful in entering into such licensing transaction on terms that are mutually acceptable.

On January 12, 2000, the Company signed a letter of intent to license a segment of its Vascular Targeting Agent (VTA) technology, specifically related to Vascular Endothelial Growth Factor (VEGF), with SuperGen, Inc. in exchange for an upfront payment and milestone payments aggregating approximately \$8,000,000 plus a royalty on net sales. The transaction is subject to further medical, technical, business, financial and legal due diligence and will be subject to customary closing conditions. There can be no assurance that the Company will enter into a definitive agreement.

On January 27, 2000, the Company executed its option agreement with the University of Texas Southwestern Medical Center, Dallas (University) to obtain an exclusive world-wide license for a novel anti-angiogenesis antibody named 2C3 and its derivatives. The antibody is an anti-VEGF (Vascular Endothelial Growth Factor) antibody with the ability to block the binding of a growth factor to receptors found on tumor vasculature, the effect is to inhibit tumor vessel growth. The license agreement is currently being drafted by the University.

During February 2000, the Company entered into an exclusive worldwide licensing transaction with the University of Southern California for its Permeability Enhancing Protein (PEP) in exchange for an up-front payment plus milestone payments and a royalty on net sales. The PEP technology is a piece of the Company's Vasopermeability Enhancing (VEA) technology, which is designed to increase the uptake of chemotherapeutic agents into tumors. PEP is designed to be used in conjunction the VEA technology platform.

6. CONTINGENCY

On March 18, 1999, the Company was served with notice of a lawsuit filed in Orange County Superior Court for the State of California (Superior Court) by a former employee alleging a single cause of action for wrongful termination. The Company believes this lawsuit is barred by a severance agreement and release signed by the former employee following his termination and the Company is defending the action. On September 13, 1999, the Superior Court granted Techniclone a Motion for Summary Judgement and the Company was not obligated for any damages. On November 12, 1999, a Notice of Entry of Judgement was filed by the Superior Court. Subsequently, the former employee appealed the Summary Judgement. The Company will continue to defend the action.

7. SUBSEQUENT EVENTS

During February 2000, the Company received gross proceeds of \$4,325,000 in exchange for 1,596,255 shares of common stock under the Equity Line. Dunwoody Brokerage Services, Inc. was issued 145,114 shares of common stock and warrants to purchase up to 14,510 shares of common stock as placement agent fees under the Equity Line.

In early March 2000, the Company signed a Letter of Intent to jointly develop and commercialize the Company's Vascular Targeting Agent (VTA) technology with Oxigene, Inc. Oxigene, Inc. will make available to the project its next generation of tubulin-binding compounds for use in combination with the VTA technology. The joint venture arrangement will include an upfront licensing fee and milestone payments to the Company as well as substantial funding of development expenses related to commercializing a VTA product by Oxigene, Inc. The Company and Oxigene, Inc. will also share royalties and certain fees generated by the joint venture. The letter of intent provides for an exclusive period for the completion of a definitive agreement. The transaction is subject to further medical, technical, business, financial and legal due diligence and will be subject to customary closing conditions. There can be no assurance that the Company will enter into a definitive agreement.

Subsequent to January 31, 2000, the Company has made significant payments and reduced the amounts owed for accounts payable and other current liabilities. As of March 9, 2000, the Company reduced its accounts payable balance by \$1,419,000 from \$1,587,000 as of January 31, 2000 to approximately \$168,000 as of March 9, 2000. In addition, accrued clinical trial site fees were reduced by \$268,000 from \$919,000 as of January 31, 2000 to approximately \$651,000 as of March 9, 2000. The remaining clinical trial site fees will be paid by the Company once the clinical trial sites have submitted all necessary paperwork and supporting documentation. After the above payments were made, the Company had approximately \$4,724,000 in cash and cash equivalents as of March 9, 2000.

OF OPERATIONS

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Actual results may differ significantly from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and included in the Company's Annual Report on Form 10-K for the year ended April 30, 1999, filed with the Securities and Exchange Commission on July 28, 1999 and Quarterly Reports on Form 10-Q for the quarters ended July 31, 1999 and October 31, 1999, filed with the Securities and Exchange Commission on September 10, 1999 and December 15, 1999, respectively.

COMPANY OVERVIEW. Techniclone Corporation is a biopharmaceutical company engaged in the research, development and commercialization of targeted cancer therapeutics. We are developing product candidates based primarily on collateral (indirect) tumor targeting for the treatment of solid tumors. In addition, we are in collaboration with Schering A.G. to develop a direct tumor-targeting agent (Oncolym(R)) for the treatment of Non-Hodgkins Lymphoma (NHL).

Collateral targeting is a strategy that has been developed to take advantage of characteristics common to all solid tumors. These common tumor characteristics include all solid tumors in excess of 2mm in size which must develop a blood supply in order to continue growing. While all solid tumors in excess of 2mm in size do develop a blood supply, they do not develop an adequate blood supply. The lack of an adequate blood supply results in starvation and eventually death of tumor cells farthest from the tumor blood vessels. These dying and dead tumor cells are known as the necrotic core of the tumor. The inadequate formation of blood vessels to carry blood into and out of the tumor results in the build-up of pressure inside the tumor. This pressure build-up makes it difficult to deliver adequate amounts of cancer chemotherapeutics into the tumor and to the living tumor cells that are the target.

The most clinically advanced of the Collateral Targeting Agents is known as Tumor Necrosis Therapy (TNT), which utilizes monoclonal antibodies (targeting molecules that bind to specific structures) that recognize markers found in the necrotic core of solid tumors. TNT antibodies are potentially capable of carrying a variety of agents including radiation, chemotherapeutic agents and cytokines to the interior of solid tumors. A Phase II clinical trial for a Tumor Necrosis Therapy agent (called Cotara(TM)) for the treatment of malignant glioma (brain cancer) is currently being conducted at The Medical University of South Carolina, Temple University, University of Utah-Salt Lake City and Carolina Neurosurgery & Spine Association. In addition, our Tumor Necrosis Therapy agent is being used in a Phase I equivalent clinical trial for the treatment of pancreatic, prostate and liver cancers at a clinical trial site in Mexico City.

The second type of Collateral Targeting Agents that we are developing are Vascular Targeting Agents (VTAs). VTAs utilize monoclonal antibodies that recognize markers found on tumor blood vessels. The monoclonal antibody carries an effector molecule that creates a blockage within the blood vessels that supply oxygen and nutrients to the tumor cells. Cutting off the blood supply to the tumor results in tumor cell death, potentially destroying the tumor. VTAs are currently in pre-clinical development in collaboration with researchers at the University of Texas Southwestern Medical Center at Dallas.

The third type of Collateral Targeting Agents that Techniclone is currently developing are known as Vasopermeation Enhancement Agents (VEA). VEAs currently use the same targeting agent as TNT to deliver an agent that makes the blood vessels inside the tumor more leaky (permeable). The increased permeability of the tumor blood vessels makes it possible to deliver an increased concentration of killing agents into the tumor where it can potentially kill the living tumor cells. VTAs are currently in pre-clinical development in collaboration with researchers at the University of Southern California Medical Center.

Techniclone has taken steps to protect its position in the field of Collateral Targeting Agents. Techniclone currently has exclusive rights to over 30 issued US and Foreign patents protecting various aspects of Collateral Targeting. In addition, Techniclone still has outstanding U.S. and foreign patent applications that will potentially provide further protection for its Collateral Targeting Agents. Techniclone is currently in pre-clinical or clinical development of three Collateral Targeting Agents for the treatment of solid tumors.

On March 8, 1999, Techniclone entered into a license agreement with Schering A.G., a major multinational pharmaceutical company, with respect to the development, manufacture and marketing of its direct tumor targeting agent candidate, Oncolym(R). Under the agreement, Schering A.G. controls the clinical development program and funds 80% of the clinical trial costs. The current Phase II/III clinical trial has been stopped by Schering A.G. Schering A.G. has advised the Company that they currently anticipate starting a Phase I/II dosing trial for 18 patients under a new dosing regimen during the second calendar quarter of 2000.

RECENT DEVELOPMENTS. The management team and the Board of Directors of Techniclone Corporation has changed dramatically since November 3, 1999. During November 1999, four of the Company's five Board members, Larry O. Bymaster, Rockell Hankin, William C. Shepherd and Thomas R. Testman, resigned. Mr. Eric Swartz and Mr. Carlton Johnson were appointed as new members of the Board. On December 29, 1999, the Board appointed Mr. Edward Legere to serve on the Board of Directors. Currently, the Board is comprised of the following four members: Mr. Carlton Johnson, Mr. Edward Legere, Mr. Eric Swartz, and Mr. Clive Taylor, M.D. Also in November 1999, Mr. Bymaster resigned as President Chief Executive Officer and Mr. Steven C. Burke resigned as Chief Financial Officer and Corporate Secretary. The Board appointed Dr. John N. Bonfiglio, the Company's Vice President of Technology and Business Development, as Interim President. The Company is currently operating with approximately 15 employees compared to approximately 50 employees who were employed by the Company in October 1999.

With the recent changes in management and the Board of Directors, the Company has adopted a new strategic business plan. During the quarter ended January 31, 2000, the Company's new management and Board of Directors conducted a thorough evaluation of the Company's business plans, operations and funding requirements. In the past five years, significant financial resources of the Company have been spent on GMP (Good Manufacturing Practices) manufacturing infrastructure, corporate facility improvements, staffing and other support activities. Based on our evaluation of the Company, management and the Board of Directors have implemented the following plan for the Company:

CORPORATE STRUCTURE. The objective of the new management and Board of Directors is to focus the Company's resources almost exclusively on clinical trials, licensing and early product development. The Company's new plan started with the elimination of the in-house manufacturing activities, which reduced the level of support staff and fixed overhead costs that it had incurred in the past. The Company will also outsource various clinical trial activities, which will allow the Company to better predict and manage its costs on a project specific basis. The Company will continue to outsource its research efforts through its agreements with the University of Southern California and the University of Texas Southwestern Medical Center at Dallas. The Company has maintained a core group of employees that will plan, coordinate and monitor all product development and clinical trial activities being conducted by outside parties. In addition, the core group of employees will also maintain the product development activities and technology transfer activities associated with outsourcing manufacturing.

MANUFACTURING. Operating a GMP manufacturing facility requires highly specialized personnel and equipment which must be maintained on a continual basis. Although the Company believes it has derived substantial benefits from its manufacturing operations, management and the Board of Directors believe that maintaining a GMP manufacturing facility is not an efficient use of Company resources at this time. The Company plans on utilizing contract manufacturers with excess capacity to provide cost effective GMP manufacturing of its Oncolym, Cotara(TM) and future products under development. The Company has manufactured a sufficient antibody supply to meet its current clinical trial needs for its Oncolym(R) and Cotara(TM) technologies. The Company has maintained key development personnel who will be responsible for developing analytical methods and processes that will facilitate the transfer of technology to contract manufacturers. The Company has prepared for the smooth transfer of manufacturing technology to contract manufacturers and it does not anticipate any delays in its ongoing projects.

As part of this new manufacturing strategy, the Company has arranged to have the owner list the manufacturing facility and related equipment for sale. As the building and related manufacturing improvements are owned by TNCA, LLC, only the proceeds from the sale of manufacturing equipment will be paid directly to the Company. In addition, if the manufacturing facility is sold by TNCA, LLC, the Company would receive approximately \$936,000 as payment on a note receivable from TNCA, LLC. The note receivable was received upon to the sale and subsequent leaseback of the Company's facilities in December 1998. To date, the Company has realized a significant reduction of monthly fixed overhead expenses from the discontinuation of the manufacturing operations. The Company anticipates additional reductions in fixed overhead costs related to the cessation of manufacturing activities and the disposal or subleasing of the manufacturing facility.

LICENSING. The Company has considered licensing an important part of its strategic plan. On March 8, 1999, the Company entered into a licensing agreement for its Oncolym(R) technology with Schering, A.G. As part of the Oncolym licensing agreement, Schering, A.G. was granted a 90-day exclusive negotiating period for licensing the Company's VTA technology. The 90-day exclusive negotiating period expired without the Company and Schering A.G. entering into an agreement for its VTA technology.

The current management and the Board of Directors do not believe that the exclusive licensing of its TNT and VTA technology platforms is the optimal way to exploit these technologies. Because of the broad patent coverage and potential for multiple products based on these technology platforms, management and the Board of Directors do not plan on pursuing exclusive licensing agreements for the TNT and VTA technologies. Since it is difficult, if not impossible, to predict the effectiveness of a given anti-cancer compound, the Company does not believe it is wise to develop just one product for each of its broad platform technologies.

As part of this new licensing strategy, on January 12, 2000, the Company signed a letter of intent with SuperGen, Inc., to license a segment of its Vascular Targeting Agent (VTA) technology, specifically related to Vascular Endothelial Growth Factor (VEGF) in exchange for an upfront payment and milestone payments aggregating approximately \$8,000,000 plus a royalty on net sales. In addition, in early March 2000, the Company signed a letter of intent to jointly develop and commercialize the overall Vascular Targeting Agent (VTA) technology platform with Oxigene, Inc. The joint venture arrangement will include an upfront licensing fee and milestone payments to the Company as well as substantial funding related to developing a VTA product. The Company and Oxigene, Inc. will also share royalties and certain fees generated by the joint venture. Oxigene, Inc. will also make available to the joint venture, its next generation of tubulin-binding compounds for use in combination with the VTA technology. The Company anticipates it can license additional segments of the VTA technology, which the joint venture does not plan on actively developing.

The overall goal of the Company's licensing strategy is to develop as many corporate relationships as possible for the development of its platform technologies, thus increasing the chances that one or several anti-cancer products will be commercialized utilizing its technologies. The Company believes there are numerous opportunities for non-exclusive licensing of its TNT and VTA platform technologies. In addition, by granting non-exclusive licensing to other companies, the Company maintains the ability to develop its own products for commercialization, such as Cotara(TM). This approach should increase the revenue potential of these two promising platform technologies as well as permit the Company to commercialize its own proprietary anti-cancer product.

CLINICAL TRIALS. Moving forward, the most critical aspect of the Company's business plan will be centered around clinical trials with the Company's various technologies. The Company plans to expand its clinical studies for its Cotara(TM) monoclonal antibody. Cotara(TM) is currently in a U.S. multi-center clinical trial for the treatment of brain cancer. Because of Cotara's(TM) ability to selectively target multiple cancer types, the Company intends to expand its clinical studies to additional cancer types. The additional clinical studies will be initiated as the Company obtains the financial resources to support such activities.

In addition, Schering A.G. has advised the Company that they currently anticipate starting a dosing trial for 18 patients under a new dosing regimen during the second calendar quarter of 2000 to the treatment of Non-Hodgkins Lymphoma (NHL) using the Company's Ocolym(R) technology.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JANUARY 31, 2000 AND 1999

The following is a historical summary of the Company's operational burn rate for the quarter ended January 31, 2000 compared to the same period in the prior year. As shown in the schedule below, the Company's operational burn rate has decreased \$1,090,000 or approximately 42% in the current quarter ended January 31, 2000 compared to the same period in the prior year. As further shown in the below schedule, the average monthly operational burn rate has decreased \$363,000 per month for each month in the quarter ended January 31, 2000 compared to the same average monthly periods in the prior year. In addition, the Company's recurring monthly fixed expenses for salaries, facilities and related overhead charges and general and administrative expenses (monthly fixed burn rate) were approximately \$316,000 per month for the quarter ended January 31, 2000 compared to approximately \$435,000 per month for the same period in the prior year or a savings of \$119,000 per month. The Company has listed its excess space for sublease and upon the Company subleasing such space, the Company expects the monthly fixed burn rate to continue to decrease in comparison to the same periods in the prior year. However, our total operational burn rate will vary substantially from quarter to quarter based on patient enrollment rates of our clinical trial programs, and the funding of non-recurring items, which may include but are not limited to, items associated with product development, contract manufacturing and contract radiolabeling and the related commercial scale-up efforts of contract manufacturing and contract radiolabeling.

| | QUARTER ENDED JANUARY 31, | |
|--|---------------------------|----------------|
| | 2000 | 1999 |
| Net loss | \$ (2,799,000) | \$ (4,435,000) |
| Less non-cash expenses: | | |
| Loss on disposal of assets | - | 1,170,000 |
| Depreciation and amortization | 131,000 | 227,000 |
| Stock issued for interest, services and under severance agreements | 687,000 | 364,000 |
| Stock-based compensation | 467,000 | 71,000 |
| Net quarterly operational burn rate (cash consumption rate) | \$ (1,514,000) | \$ (2,603,000) |
| Net average monthly operational burn rate (cash consumption rate) | \$ (505,000) | \$ (868,000) |

Net Loss. The Company's net loss, before preferred stock discount accretion and dividends, for the current quarter ended January 31, 2000 decreased \$1,636,000 in comparison to the same period in the prior year. This current quarter decrease in net loss is due to a \$1,611,000 decrease in total costs and expenses combined with an increase in interest and other income of \$25,000.

Total Costs and Expenses. The decrease in total costs and expenses of \$1,611,000 during the current quarter compared to the same period in the prior quarter resulted primarily from the one-time prior-year quarter non-cash charge of \$1,171,000 recorded in December 1998 in connection with the sale and subsequent leaseback of the Company's two facilities. This decrease was combined with a current quarter decrease in research and development expenses of \$437,000 and a decrease in general and administrative expenses of \$73,000, which were offset by an increase in interest expense of \$70,000.

Research and Development Expenses. The decrease in research and development expenses of \$437,000 during the current quarter ended January 31, 2000 primarily relates to a decrease in personnel, manufacturing, consulting, radiolabeling and travel expenses offset by an increase in clinical trial, sponsored research and building lease expenses. The decrease in the above expense resulted primarily from the Company's direct efforts to reduce its cash expenses related to internal research and development and manufacturing while continuing its clinical trial programs and university research and development. On October 18, 1999, the Company decreased the number of employees from approximately 50 employees to 25 employees in an effort to reduce the Company's burn rate or cash consumption rate and to preserve its then cash on hand. The majority of the personnel reductions came from the Manufacturing Department and ancillary departments to support the clinical manufacturing of its antibodies under development. The Company believes it can contract out certain manufacturing and research services previously performed in-house at a reduced cost compared to the internal personnel and overhead costs to run such programs.

General and Administrative Expenses. The decrease in general and administrative expenses of \$73,000 during the quarter ended January 31, 2000 compared to the quarter ended January 31, 1999 resulted primarily from a decrease in consulting fees, severance expenses, personnel costs and other reductions in general expenses of \$468,000. On November 3, 1999, the Company's former Chief Executive Officer and Chief Financial Officer resigned with a quarterly aggregate base salary of \$109,000 and such positions were replaced with internal positions, thus decreasing the quarterly general and administrative personnel costs. The current quarter decrease in the above expenses was offset by an increase in stock-based compensation expense (a non-cash expense) of \$395,000. The Company expects general and administrative expenses (excluding stock-based compensation) to decrease in future quarters compared to the same period in prior quarters as all severance agreements have been completed and as the Company has decreased its overall headcount and aggregate gross salaries in the Administration Department.

Interest Expense. The increase in interest expense of approximately \$70,000 for the quarter ended January 31, 2000 compared to the same period in the prior year is primarily due to an increase in interest charges on a \$3,300,000 note payable to Biotechnology Development Ltd. related to the buyback of the Oncolym(R) rights on March 8, 1999 as such amounts were not incurred in the same quarter of the previous year.

Interest and Other Income. The increase in interest and other income of \$25,000 during the three month period ended January 31, 2000 compared to the same period in the prior year is primarily due a \$50,000 nonrefundable option fee received in November 1999 for a 90-day option agreement with a multinational pharmaceutical company to potentially license a specific use of the TNT technology primarily offset by a decrease in rental income. The Company's excess space is currently being listed for sale by the owner of the buildings and is also being listed for sublease by the Company. If the Company is able to sublease the excess space, rental income will increase in future months which will reduce the Company's overall burn rate. The Company does not expect to generate product sales for at least the next year.

Net Loss. The Company's net loss for the nine months ended January 31, 2000 increased \$205,000 compared to the nine months ended January 31, 1999. The increased loss for the current nine-month period was due to a \$193,000 increase in total costs and expenses combined with a \$12,000 decrease in interest and other income.

Total Costs and Expenses. The Company's total costs and expenses increased \$193,000 for the nine months ended January 31, 2000 compared to the same period in the prior year. This nine month increase in expenses resulted primarily from recording a non-cash expense for the estimated provision of an uncollectable note receivable of \$1,887,000 in October 1999 combined with an increase in research and development expenses of \$148,000. These amounts were offset by a current nine month period decrease in general and administrative expenses of \$575,000 and a decrease in interest expense of \$90,000. In addition, during the prior quarter ended January 31, 1999, the Company recorded a loss on the sale and subsequent lease-back of the Company's two facilities and other property of \$1,177,000, which was not incurred during the current nine month period.

Research and Development Expenses. The increase in research and development expenses of \$148,000 during the nine months ended January 31, 2000 primarily relates to increased research fees from MDS Nordion associated with the development of a commercial radiolabeling facility combined with an increase in sponsored research for the development of the Vascular Targeting Agent technology. Also, the Company incurred increased costs to reengineer the Company's TNT clone, which will significantly increase the manufacturing production yields and will significantly reduce future antibody costs. In addition, during the nine months ended January 31, 2000, the Company incurred increased building lease expense related to the sale and subsequent leaseback of the Company's facilities in December 1998 partially offset by a corresponding decrease in depreciation expense on the related building. The above increase in costs were partially off-set by a decrease in research and development costs for the quarter ended January 31, 2000 as described above.

General and Administrative Expenses. General and administrative expenses decreased approximately \$575,000 for the nine months ended January 31, 2000 compared to the same period in the prior year primarily due to decreases in shareholder meeting costs, consulting fees, legal fees, travel expenses, severance and personnel expenses, and others expenses aggregating \$1,096,000, which was offset by an increase in stock-based compensation (a non-cash expenses) of \$521,000.

Interest Expense. Interest expense decreased \$90,000 during the nine-month period ended January 31, 2000 compared to the same period in the prior year primarily due to interest charges on construction costs incurred in the prior year nine month period related to manufacturing facility enhancements combined with mortgage interest on the Company's facilities, both of which were not incurred in the current nine-month period. Such decrease was partially offset by an increase in interest charges on a \$3,300,000 note payable to Biotechnology Development Ltd. related to the buyback of the Oncolym(R) rights on March 8, 1999.

Interest and Other Income. The decrease in interest and other income of \$12,000 during the nine months ended January 31, 2000 is primarily due to a decrease in rental income offset by a \$50,000 nonrefundable option fee received in November 1999 for a 90-day option agreement with a multinational pharmaceutical company to potentially license a specific use of the TNT technology.

LIQUIDITY AND CAPITAL RESOURCES. The Company experienced losses in fiscal 1999 and during the first nine months of fiscal 2000 and has an accumulated deficit of \$104,130,000 at January 31, 2000. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

The Company must raise additional funds to sustain research and development, provide for future clinical trials and continue its operations until it is able to generate sufficient additional revenue from the sale and/or licensing of its products. The Company plans to obtain required financing through one or more methods including, obtaining additional equity or debt financing and negotiating additional licensing or collaboration agreements with another company. There can be no assurances that the Company will be successful in raising such funds on terms acceptable to it, or at all, or that sufficient additional capital will be raised to complete the research, development, and clinical testing of the Company's product candidates. The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flows to meet its obligations on a timely basis, to obtain additional financing as may be required and, ultimately, to attain successful operations. Management knows that additional capital must be raised in the near term to support the Company's continued operations and other short-term cash needs.

The Company believes it has sufficient cash on hand and combined with amounts available pursuant to the Equity Line Agreement (assuming aggregate future draws of \$5,413,000) and anticipated amounts to be received from signed letters of intent to enter into collaboration agreements with SuperGen, Inc. and Oxigene, Inc. to meet its obligations on a timely basis through the first calendar quarter of 2001. The Company's ability to access funds under the Equity Line Agreement is subject to the satisfaction of certain conditions as further described in Note 3 to the accompanying financial statements. The letters of intent provides for an exclusive period for the completion of a definitive agreement and will be subject to customary closing conditions. Although the Company believes it will enter into definitive agreements and will receive the related up-front payments under the terms as defined in the letters of intent, there can be no assurance that definitive agreements will be reached.

We have significant commitments to expend additional funds for preclinical development, clinical trials, radiolabeling contracts, license contracts and consulting. If we obtain the necessary funding, we expect operating expenditures related to clinical trials to increase in the future as our clinical trial activity increases and scale-up for clinical trial production continues. We have experienced negative cash flows from operations since our inception, and we expect the negative cash flows from operations to continue for the foreseeable future. We expect that the monthly negative cash flow will continue for at least the next year as a result of activities in connection with the Phase II clinical trials of Cotara(TM) and the equivalent Phase I clinical trials of Cotara(TM) in Mexico and the development costs associated with Vasopermeation Enhancement Agents ("VEAs") and Vascular Targeting Agents ("VTAs").

There can be no assurance that we will be successful in raising such funds on terms acceptable to us, or at all, or that sufficient capital will be raised to complete the research and development of our product candidates.

COMMITMENTS. At January 31, 2000, we had no capital commitments, although we have significant obligations, most of which are contingent, for payments to licensors for technologies and in connection with the acquisition of the Oncolym(R) rights previously owned by Alpha Therapeutic Corporation ("Alpha").

OTHER RISK FACTORS OF OUR COMPANY. The biotechnology industry includes many risks and challenges. Our challenges may include, but are not limited to: uncertainties associated with completing pre-clinical and clinical trials for our technologies; the significant costs to develop our products as all of our products are currently in development, preclinical studies or clinical trials and no revenue has been generated from commercial product sales; obtaining additional financing to support our operations and the development of our products; obtaining regulatory approval for our technologies; complying with other governmental regulations applicable to our business; obtaining the raw materials necessary in the development of such compounds; consummating collaborative arrangements with corporate partners for product development; achieving milestones under collaborative arrangements with corporate partners; developing the capacity to manufacture, market and sell our products, either directly or indirectly with collaborative partners; developing market demand for and acceptance of such products; competing effectively with other pharmaceutical and biotechnological products; attracting and retaining key personnel; protecting proprietary rights; accurately forecasting operating and capital expenditures, other capital commitments, or clinical trial costs and general economic conditions. For additional information regarding the industry and Company challenges are discussed in the Company's Annual Report on Form 10-K for the year ended April 30, 1999, filed with the Securities and Exchange Commission on July 28, 1999 and Quarterly Reports on Form 10-Q for the quarters ended July 31, 1999 and October 31, 1999, filed with the Securities and Exchange Commission on September 10, 1999 and December 15, 1999, respectively.

Other risks to consider may include, but are not limited to, the following:

IF OUR RELATIONSHIP WITH SCHERING A.G. TERMINATES, IT COULD ADVERSELY AFFECT OUR BUSINESS.

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

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

The Common Stock of the Company is presently traded on The Nasdaq SmallCap Market. To maintain inclusion on The Nasdaq SmallCap Market, we must continue to have either net tangible assets of at least \$2,000,000, market capitalization of at least \$35,000,000, or net income (in either our latest fiscal year or in two of our last three fiscal years) of at least \$500,000. In addition, we must meet other requirements, including, but not limited to, having a public float of at least 500,000 shares and \$1,000,000, a minimum closing bid price of \$1.00 per share of Common Stock (without falling below this minimum bid price for a period of 30 consecutive trading days), at least two market makers and at least 300 stockholders, each holding at least 100 shares of Common Stock. At various times from October 19, 1999 through January 6, 2000, we had failed to meet the \$35,000,000 market capitalization requirement. In addition, from September 9, 1999 through January 6, 2000, the closing bid price of our Common Stock was less than \$1.00 per share. Since January 7, 2000, the Company has been in compliance with the market capitalization and minimum bid price requirements. If we are delisted by the The Nasdaq SmallCap Market, the market value of the Common Stock could fall and holders of Common Stock would likely find it more difficult to dispose of the Common Stock.

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

As of March 1, 2000, we had approximately 89,677,000 shares of Common Stock outstanding. All shares under the Class C Preferred Stock Agreement had been converted as of January 31, 2000. We could issue approximately an additional 17,078,000 shares of Common Stock upon the exercise of outstanding options and warrants at an average exercise price of \$1.73 for proceeds of up to approximately \$29,545,000.

During June 1998, we secured access to \$20,000,000 under a Common Stock Equity Line ("Equity Line") with two institutional investors, expiring in June 2001. Under the terms of the Equity Line, the Company may, in its sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of the Company's Common Stock for up to \$20,000,000. Unless an increase is otherwise agreed to, \$2,250,000 of Puts can be made every quarter, subject to share issuance volume limitations identical to the share resale limitations set forth in Rule 144(e). If the Company is able to access funds under the Equity Line, the Company had \$5,413,000 available for future Puts. Future Puts under the Equity Line are priced at a discount equal to the greater of \$0.20 or 17.5% off the lowest closing per share bid price during the ten trading days immediately preceding the date on which such shares are sold to the institutional investors. At the time of each Put, the investors will be issued warrants, exercisable only on a cashless basis and expiring on December 31, 2004, to purchase up to 10% of the amount of Common Stock issued to the investor at the same price as the purchase of the shares sold in the Put. If we are able to draw upon the Equity Line, we may issue up to approximately an additional 794,000 shares of Common Stock (assuming a market price of our Common Stock of \$10.00 per share) at our sole option, from time to time, in exchange for an aggregate purchase price of \$5,413,000, which includes commission shares and warrants equal to 10% of the shares of Common Stock issued under such agreement, which must be exercised on a cashless basis only.

The exercise price of outstanding options and warrants and the purchase price for the shares of Common Stock and warrants to be issued under the Regulation D Common Stock Equity Line Subscription Agreement are at a significant discount to the market price. The sale and issuance of these shares of Common Stock, as well as subsequent sales of shares of Common Stock in the open market, may cause the market price of the Common Stock to fall and might impair our ability to raise additional capital through sales of equity or equity-related securities, whether under the Regulation D Common Stock Equity Line Subscription Agreement or otherwise.

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

The market price of the Common Stock, and the market prices of securities of companies in the biotechnology industry generally, has been highly volatile and is likely to continue to be highly volatile. Also, the trading volume in the Common Stock has been highly volatile, ranging from as few as 76,000 shares per day to as many as 29 million shares per day over the past year, and is likely to continue to be highly volatile. The market price of the Common Stock may be significantly impacted by many factors, including announcements of technological innovations or new commercial products by us or our competitors, disputes concerning patent or proprietary rights, publicity regarding actual or potential medical results relating to products under development by us or our competitors and regulatory developments and product safety concerns in both the United States and foreign countries. These and other external factors have caused and may continue to cause the market price and demand for the Common Stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of Common Stock and may otherwise negatively affect the liquidity of the Common Stock.

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

In prior years, the Company discussed the nature and progress of its plans to become Year 2000 ready. In late 1999, the Company completed its remediation and testing of systems. As a result of those planning and implementation efforts, the Company experienced no significant disruptions in mission critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. The Company expended less than \$50,000 in connection with remediating its systems. The Company is not aware of any material problems resulting from Year 2000 issues, its internal systems, or the products and services of third parties. The Company will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A significant change in interest rates would not have a material adverse affect on the Company's financial position or results of operations due to the amount of cash on hand at January 31, 2000, which consists of highly liquid investments, and as the Company's debt instruments have fixed interest rates and terms. In addition, the Company does not invest in derivative instruments.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

On March 18, 1999, the Company was served with notice of a lawsuit filed in Orange County Superior Court for the State of California (Superior Court) by a former employee alleging a single cause of action for wrongful termination. The Company believes this lawsuit is barred by a severance agreement and release signed by the former employee following his termination and the Company is defending the action. On September 13, 1999, the Superior Court granted Techniclone a Motion for Summary Judgement and the Company was not obligated for any damages. On November 12, 1999, a Notice of Entry of Judgement was filed by the Superior Court. Subsequently, the former employee appealed the Summary Judgement. The Company will continue to defending the action.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

The following is a summary of transactions by the Company during the quarterly period commencing on November 1, 1999 and ending on January 31, 2000 involving issuance and sales of the Company's securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act").

On various dates during the quarter ended January 31, 2000, the Company issued an aggregate of 2,683,910 shares of the Company's Common Stock to the two institutional investors and the placement agent under the Equity Line, for an aggregate purchase price of \$675,000, pursuant to an Equity Line draw and also issued warrants to the two institutional investors and placement agent to purchase up to 268,389 shares of Common Stock, which warrants are immediately exercisable on a cashless basis only and expire on December 31, 2004.

On various dates during the quarter ended January 31, 2000, the Company issued an aggregate of 276,552 shares of the Company's Common Stock to two institutional investors upon the cashless exercise of 360,630 warrants issued under the Equity Line.

On various dates during the quarter ended January 31, 2000, the Company issued to three unaffiliated investors an aggregate of 261,934 shares of the Company's Common Stock upon conversion of 91 outstanding shares of the Company's 5% Adjustable Convertible Class C Preferred Stock (the "Class C Stock"). Upon conversion of the 91 shares of Class C Stock, the Company issued warrants to such investor to purchase up to an aggregate of 65,483 shares of the Company's Common Stock at an exercise price of \$0.6554 per share.

On various dates during January 2000, the Company issued 2,000,000 shares of common stock and warrants to purchase up to 2,000,000 shares of common stock at an exercise price of \$0.25 per share to two affiliated investors under an Investment Agreement dated January 6, 2000 in exchange for \$500,000.

On various dates during the quarter ended January 31, 2000, the Company issued to 120,455 shares of common stock to five private placement investors upon the exercise of 120,455 warrants at an exercise price of \$1.00 per share. The warrants were issued in conjunction with a private placement entered into in April 1998.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None

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

ITEM 5. OTHER INFORMATION. None.

(a) Exhibits:

| Exhibit Number | Description |
|----------------|---|
| 10.64 | Regulation D Subscription Agreement dated January 6, 2000 between Registrant and Subscribers, Swartz Investments, LLC and Biotechnology Development, LTD. |
| 10.65 | Registration Right Agreement dated January 6, 2000 between Registrant and Subscribers of the Regulation D Subscription Agreement dated January 6, 2000. |
| 10.66 | Form of Warrant to be issued to Subscribers pursuant to the Regulation D Subscription Agreement dated January 6, 2000. |
| 10.67 | Warrant to purchase 750,000 shares of Common Stock of Registrant issued to Swartz Private Equity, LLC dated November 19, 1999. |
| 27 | Financial Data Schedule. |

(b) Reports on Form 8-K:

Current Report on Form 8-K as filed with the Commission on November 4, 1999 reporting the resignation of three Board members: Larry O. Bymaster, Rockell N. Hankin, and Thomas R. Testman, Chairman. The remaining Board members had appointed Mr. Eric Swartz and Mr. Carl Johnson as new members of the Board. Mr. Eric Swartz maintains a contractual right to 50% of the shares and warrants issued under the Equity Line in the name of Dunwoody Brokage Services, Inc. Mr. Johnson is securities counsel for an affiliated office of Dunwoody Brokerage Services, Inc. The Company also announces that Mr. Bymaster resigned as President and Chief Executive Officer and Mr. Steven C. Burke resigned as Chief Financial Officer and Corporate Secretary, both to pursue other personal and business interests. Mr. John N. Bonfiglio was appointed Interim President. The Company also announced that it received a written proposal from Dunwoody Brokerage Services, Inc. stating that Dunwoody was highly confident that it could provide a bridge financing facility of up to five million. The Company also announced that it had reached an agreement in principal in regard to a common stock equity line facility of up to \$35 million. Mr. Eric Swartz maintains a 50% ownership in Swartz Private Equity, LLC.

Current Report on Form 8-K as filed with the Commission on November 23, 1999 reporting the receipt of approximately \$305,000 from two institutional investors under the Common Stock Equity Line Subscription Agreement subject to a one-time waiver agreement from the institutional investors whereby the low closing bid price requirement of the Company's common stock was reduced from \$0.50 per share to \$0.40 per share during the 10-day pricing period.

SIGNATURES

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

TECHNICLONE CORPORATION

By: /s/ John N. Bonfiglio

Interim President

By: /s/ Paul J. Lytle

V.P. of Finance (signed both as
an officer duly authorized to sign on
behalf of the Registrant and chief
accounting officer)

TECHNICLONE CORPORATION

REGULATION D SUBSCRIPTION AGREEMENT

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE OR OTHER SECURITIES AUTHORITIES. THEY MAY NOT BE SOLD OR TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE FEDERAL AND STATE SECURITIES LAWS.

THIS SUBSCRIPTION AGREEMENT DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE, ANY OF THE SECURITIES DESCRIBED HEREIN BY OR TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES AUTHORITIES, NOR HAVE SUCH AUTHORITIES CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

AN INVESTMENT IN THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK. SUBSCRIBERS MUST RELY ON THEIR OWN ANALYSIS OF THE INVESTMENT AND ASSESSMENT OF THE RISKS INVOLVED. SEE THE RISK FACTORS SET FORTH IN THE ATTACHED DISCLOSURE DOCUMENTS AS EXHIBIT E.

SEE ADDITIONAL LEGENDS AT SECTIONS 3.7.

THIS REGULATION D SUBSCRIPTION AGREEMENT (this "Agreement") is made as of the 6th day of January, 2000, by and between Techniclone Corporation, a corporation duly incorporated and existing under the laws of the State of Delaware (the "Company"), and the undersigned subscriber executing this Agreement ("Subscriber").

THE PARTIES HEREBY AGREE AS FOLLOWS:

This Agreement is executed by Subscriber in connection with the offer (the "Offering") by the Company and the purchase by Subscriber of "Units," where each "Unit" consists of one share of the Company's Common Stock (collectively referred to as the "Unit Shares") and a warrant ("Warrants") to purchase Common Stock upon the terms set forth herein and in the Warrants. The Units are being offered at a purchase price per share that is equal to \$0.25, with an initial offering amount of up to \$600,000. The solicitation of this subscription and, if accepted by the Company, the offer and sale of the Units are being made in

reliance upon the provisions of Regulation D ("Regulation D") promulgated under the Securities Act of 1933, as amended (the "Act"). The Unit Shares and the Warrants, and the Common Stock issuable upon exercise of the Warrants (the "Warrant Shares") are sometimes referred to herein singularly as "Security" and collectively as the "Securities."

Subscribers shall have an option (the "Option") to purchase, within sixty (60) days from the Closing Date (defined in Section 4.12) of the Offering (the "Option Exercise Date"), up to an additional \$300,000 of Units (the "Optional Tranche") with the amount to be divided equally between Subscribers under the same terms (including but not limited to the same Unit Price and the same Warrant Exercise Price) as this Offering. The Option may be exercised by each Subscriber by paying to the Company the purchase price for such additional Units on or before the Option Exercise Date. Concurrently with the Closing of the Option, the Company and the Subscriber shall enter into an agreement equivalent to this Agreement with respect to the Optional Tranche.

It is agreed as follows:

1. OFFERING

1.1 OFFER TO SUBSCRIBE; PURCHASE PRICE AND CLOSING.

Subject to satisfaction of the conditions to closing set forth in Section 1.2 below, Subscriber hereby agrees to subscribe for and purchase Units in the Offering for the aggregate purchase price in the amount set forth in Section 10 of this Agreement in accordance with the terms and conditions of this Agreement. The closing of a sale and purchase of Units as to each Subscriber (the "Closing") shall be deemed to occur when this Agreement has been executed by both Subscriber and the Company, full payment for the Units subscribed for shall have been made by Subscriber, and the conditions to Subscriber's obligations set forth in Section 1.2 have been satisfied. The date of any Closing of Units shall be considered the "Closing Date" for such Units.

1.2 CONDITIONS TO SUBSCRIBER'S OBLIGATIONS. Subscriber's obligations hereunder are conditioned upon all of the following:

- (a) the following documents shall have been received by the Subscriber: (i) the Registration Rights Agreement, in the form attached hereto as EXHIBIT A (the "Registration Rights Agreement") (executed by the Company), (ii) certificates representing the Unit Shares and Warrants for which the Subscriber has subscribed issued in the name of the Subscriber; and (iii) a secretary's certificate, as to (A) the resolutions of the Company's board of directors authorizing this transaction, (B) the Company's Articles of Incorporation, and (C) the Company's Bylaws;
- (b) the Company's Common Stock shall be listed for and actively trading on the Nasdaq Small Cap or the O.T.C. Bulletin Board;

- (c) other than as described in the Disclosure Documents (as described in Section 2.2.4), as of the Closing there have been no material adverse changes in the Company's business, prospects or financial condition since the date of the last balance sheet included in the Disclosure Documents (defined in Section 2.2.4), including but not limited to incurring material liabilities;
- (d) the representations and warranties of the Company are true and correct at the Closing as if made on such date and the conditions to Subscriber's obligations set forth in this Section 1.2 are satisfied as of the Closing, and the Company shall deliver a certificate, signed by an officer of the Company, to such effect to the Subscriber;
- (e) the Company shall have reserved for issuance a sufficient number of shares of Common Stock to effect the issuance of the Unit Shares and the issuance of the Common Stock upon exercise of the Warrants, which number of shares shall initially be equal to Seven Million Two Hundred Thousand (7,200,000) shares.

1.3 TERMS OF THE UNITS. Each "Unit" shall consist of one share of Common Stock, and a Warrant to purchase one share of Common Stock at an exercise price equal to \$0.25. The purchase price ("Unit Price") for each Unit purchased in the Offering shall equal \$0.25. The terms of the Warrants, including the terms on which the Warrants may be exercised for Common Stock, are set forth in the form of the Warrant attached hereto as EXHIBIT B.

1.4 [INTENTIONALLY LEFT BLANK]

1.5 [INTENTIONALLY LEFT BLANK]

1.6 AUTHORIZATION AND RESERVATION OF SHARES OF COMMON STOCK.

- (a) AUTHORIZED AND RESERVED AMOUNT. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock a sufficient number of shares of Common Stock to provide for (i) the issuance of the Unit Shares in the Offering, and (ii) the full exercise of all outstanding Warrants.
- (b) INTENTIONALLY LEFT BLANK.

1.7 CLOSING. The Closing of the Offering shall occur no later than January 15, 2000.

2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF SUBSCRIBER. Subscriber hereby represents and warrants to and agrees with the Company as follows:

2.1 ACCREDITED INVESTOR. Subscriber is an accredited investor, as defined in Rule 501 of Regulation D, and has checked the applicable box set forth in Section 10 of this Agreement.

2.2 INVESTMENT EXPERIENCE; ACCESS TO INFORMATION; INDEPENDENT INVESTIGATION.

2.2.1 ACCESS TO INFORMATION. Subscriber or Subscriber's professional advisor has been granted the opportunity to ask questions of and receive answers from representatives of the Company, its officers, directors, employees and agents and to obtain any additional information which Subscriber or Subscriber's professional advisor deems necessary concerning the terms and conditions of this Offering, the Company and its business and prospects.

2.2.2 RELIANCE ON OWN ADVISORS. Subscriber has relied completely on the advice of, or has consulted with, Subscriber's own personal tax, investment, legal or other advisors and has not relied on the Company or any of its affiliates, officers, directors, attorneys, accountants or any affiliates of any thereof and each other person, if any, who controls any of the foregoing, within the meaning of Section 15 of the Act for any tax or legal advice (other than reliance on information in the Disclosure Documents as defined in Section 2.2.4).

2.2.3 CAPABILITY TO EVALUATE. Subscriber has such knowledge and experience in financial and business matters so as to enable such Subscriber to utilize the information made available to it in connection with the Offering in order to evaluate the merits and risks of the prospective investment, which are substantial, including without limitation those set forth in the Disclosure Documents (as defined in Section 2.2.4 below).

2.2.4 DISCLOSURE DOCUMENTS. Subscriber, in making Subscriber's investment decision to subscribe for the Securities hereunder, represents that (a) Subscriber has received and had an opportunity to review (i) the Company's Annual Report on Form 10-K for the year ended April 30, 1999 (ii) the Company's quarterly reports on Form 10-Q for the quarters ended July 31, 1999 and October 31, 1999, (iii) the Risk Factors, attached as EXHIBIT E, (iv) the Capitalization Schedule, attached as EXHIBIT F (the "Capitalization Schedule"), and (v) the Use of Proceeds Schedule, attached as EXHIBIT G (the "Use of Proceeds Schedule"), (b) Subscriber has read, reviewed, and relied solely on the documents described in (a) above, the Company's representations and warranties and other information in this Agreement, including the exhibits, any other written information prepared by the Company which has been specifically provided to Subscriber in connection with this Offering and is designated in writing by the Company as a Disclosure Document (the documents described in Section 2.2.4 (a) and (b) are collectively referred to as the "Disclosure Documents"), and an independent investigation made by Subscriber and Subscriber's representatives, if any; (c) Subscriber has, prior to the date of this Agreement, been given an opportunity to review material contracts and documents of the Company which have been filed as exhibits to the Company's filings under the Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act") and has had an opportunity to ask questions of and receive answers from the Company's officers and directors; and (d) is not relying on any oral representation of the Company or any other person, nor any written representation or assurance from the Company other than those contained in the Disclosure Documents or incorporated herein or therein. Subscriber acknowledges and agrees that the Company has no responsibility for, does not ratify, and is under no responsibility whatsoever to comment upon or correct any reports, analyses or other comments made about the Company by any third parties, including, but not limited to, analysts' research reports or comments (collectively, "Third Party Reports"), and Subscriber has not relied upon any Third Party Reports, in making the decision to invest.

2.2.5 INVESTMENT EXPERIENCE; FEND FOR SELF. Subscriber has substantial experience in investing in securities and he, she or it has made investments in securities other than those of the Company. Subscriber acknowledges that Subscriber is able to fend for Subscriber's self in the transaction contemplated by this Agreement, that Subscriber has the ability to bear the economic risk of Subscriber's investment pursuant to this Agreement and that Subscriber is an "Accredited Investor" by virtue of the fact that Subscriber meets the investor qualification standards set forth in Section 2.1 above. Subscriber has not been organized for the purpose of investing in securities of the Company, although such investment is consistent with Subscriber's purposes.

2.3 EXEMPT OFFERING UNDER REGULATION D.

2.3.1 INVESTMENT; NO DISTRIBUTION. Subscriber is acquiring the Securities to be issued and sold hereunder for his, her or its own account (or a trust account if such Subscriber is a trustee) for investment and not as a nominee and not with a present view to the distribution thereof. Subscriber is aware that there are legal limits on Subscriber's ability to sell or dispose of the Securities and, therefore, that Subscriber may be required to bear the economic risk of the investment for an indefinite period of time and has adequate means of providing for Subscriber's current needs and possible personal contingencies. Subscriber's commitment to illiquid investments is reasonable in relation to Subscriber's net worth. By making the representations in this Section 2.3.1, the Subscriber does not agree to hold the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption from registration under the Act, except as otherwise limited or required by the terms hereof.

2.3.2 [Intentionally Left Blank]

2.3.3 RESTRICTED SECURITIES. Subscriber understands that the Unit Shares and Warrants issued at Closing are, and the Warrant Shares will be, characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction exempt from the registration requirements of the federal securities laws and that under such laws and applicable regulations such securities may not be transferred or resold without registration under the Act or pursuant to an exemption therefrom. In this connection, Subscriber represents that Subscriber is familiar with Rule 144 under the Act, as presently in effect, and understands the resale limitations imposed thereby and by the Act.

2.3.4 DISPOSITION. Without in any way limiting the representations set forth above, Subscriber further agrees not to sell, transfer, assign, pledge (except for any limited pledge in connection with a margin account of Subscriber to the extent that such pledge does not require registration under the Act or unless an exemption from such registration is available and provided further that if such pledge is realized upon, any transfer to the pledgee shall comply with the requirements set forth herein), or otherwise dispose of all or any portion of the Securities unless and until:

- (a) There is then in effect a registration statement under the Act and any applicable state securities laws covering such proposed disposition and such disposition is made in accordance with such registration statement; or
- (b) (i) Subscriber shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (ii) if reasonably requested by the Company, Subscriber shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of the Securities under the Act or state securities laws. It is agreed that the Company will not require the Subscriber to provide opinions of counsel for transactions made pursuant to Rule 144 provided that Subscriber and Subscriber's broker, if necessary, provide the Company with the necessary representations for counsel to the Company to issue an opinion with respect to such transaction.

2.4 DUE AUTHORIZATION.

2.4.1 AUTHORITY. The person executing this Subscription Agreement, if executing this Agreement in a representative or fiduciary capacity, has full power and authority to execute and deliver this Agreement and each other document included herein for which a signature is required in such capacity and on behalf of the subscribing individual, partnership, trust, estate, corporation or other entity for whom or which Subscriber is executing this Agreement. Subscriber has reached the age of majority (if an individual) according to the laws of the state in which he or she resides.

2.4.2 DUE AUTHORIZATION. If Subscriber is a corporation, Subscriber is duly and validly organized, validly existing and in good corporate standing as a corporation under the laws of the jurisdiction of its incorporation with full power and authority to purchase the Securities to be purchased by Subscriber and to execute and deliver this Agreement.

2.4.3 [Intentionally Left Blank]

2.4.4 REPRESENTATIVES. If Subscriber is purchasing in a representative or fiduciary capacity, the representations and warranties shall be deemed to have been made on behalf of the person or persons for whom Subscriber is so purchasing.

3. ACKNOWLEDGMENTS Subscriber is aware that:

3.1 RISKS OF INVESTMENT. Subscriber recognizes that an investment in the Company involves substantial risks, including the potential loss of Subscriber's entire investment herein. Subscriber recognizes that the Disclosure Documents, this Agreement and the exhibits hereto do not purport to contain all the information which would be contained in a registration statement under the Act;

3.2 NO GOVERNMENT APPROVAL. No federal or state agency has passed upon the Securities, recommended or endorsed the Offering, or made any finding or determination as to the fairness of this transaction;

3.3 NO REGISTRATION. The Securities and any component thereof have not been registered under the Act or any applicable state securities laws by reason of exemptions from the registration requirements of the Act and such laws, and may not be sold, pledged (except for any limited pledge in connection with a margin account of Subscriber to the extent that such pledge does not require registration under the Act or unless an exemption from such registration is available and provided further that if such pledge is realized upon, any transfer to the pledgee shall comply with the requirements set forth herein) assigned or otherwise disposed of in the absence of an effective registration of the Securities and any component thereof under the Act or unless an exemption from such registration is available;

3.4 [INTENTIONALLY LEFT BLANK].

3.5 NO ASSURANCES OF REGISTRATION. There can be no assurance that any registration statement will become effective at the scheduled time, or ever. Subscriber acknowledges that it may be required to bear the economic risk of Subscriber's investment for an indefinite period of time;

3.6 EXEMPT TRANSACTION. Subscriber understands that the Securities are being offered and sold in reliance on specific exemptions from the registration requirements of federal and state law and that the representations, warranties, agreements, acknowledgments and understandings set forth herein are being relied upon by the Company in determining the applicability of such exemptions and the suitability of Subscriber to acquire such Securities;

3.7 LEGENDS. It is understood that the certificates evidencing the Unit Shares, the Warrants, and the Warrant Shares, subject to legend removal under the terms of Section 5.9 below, shall bear the following legend (the "Legend"):

"The securities represented hereby have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws, nor the securities laws of any other jurisdiction. They may not be sold or transferred in the absence of an effective registration statement under those securities laws or an exemption therefrom."

3.8 [INTENTIONALLY LEFT BLANK].

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY . The Company hereby makes the following representations and warranties to Subscriber (which shall be true at the signing of this Agreement and as of Closing) and agrees with Subscriber that:

4.1 ORGANIZATION, GOOD STANDING, AND QUALIFICATION. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, USA and has all requisite corporate power and authority to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on the business or properties of the Company and its subsidiaries taken as a whole. The Company is not the subject of any pending, threatened or, to its knowledge, contemplated investigation or administrative or legal proceeding by the Internal Revenue Service, the taxing authorities of any state or local jurisdiction, the Securities and Exchange Commission ("SEC"), The National Association of Securities Dealers, Inc., The Nasdaq Stock Market, Inc. or any state securities commission, or any other governmental entity, which have not been disclosed in the Disclosure Documents. The Company does not have any subsidiaries, other than Peregrine Pharmaceuticals, Inc.

4.2 CORPORATE CONDITION. The Company's condition is, in all material respects, as described in the Disclosure Documents, except for changes in the ordinary course of business and normal year-end adjustments that are not, in the aggregate, materially adverse to the Company. There have been no material adverse changes in the Company's business, prospects or financial condition since January 6, 2000 including but not limited to incurring material liabilities, of which any officer of the Company is aware of or should be aware of after due inquiry. The financial statements contained in the Disclosure Documents have been prepared in accordance with generally accepted accounting principles, consistently applied (except as otherwise permitted by Regulation S-X of the Exchange Act and except as otherwise disclosed in the footnotes to the Company's financial statements), and fairly present the financial condition of the Company as of the dates of the balance sheets included therein and the consolidated results of its operations and cash flows for the periods then ended. Without limiting the foregoing, there are no material liabilities, contingent or actual, that are not disclosed in the Disclosure Documents (other than liabilities incurred by the Company in the ordinary course of its business, consistent with its past practice, after the period covered by the Disclosure Documents). The Company has paid all material taxes which are due, except for taxes which it reasonably disputes. There is no material claim, litigation, or administrative proceeding pending, or, to the best of the Company's knowledge, threatened against the Company or its officers and directors in their capacity as such, except as disclosed in the Disclosure Documents. The Disclosure Documents do not contain any untrue statement of a material fact and do not omit to state any material fact required to be stated therein necessary to make the statements contained therein not misleading in the light of the circumstances under which they were made. No event or circumstance exists relating to the Company which under applicable law, would require disclosure in a registration statement for the primary issuance by the Company of its Common Stock but which has not been so publicly announced or disclosed.

4.3 AUTHORIZATION. All corporate action on the part of the Company by its officers, directors and shareholders necessary for the authorization, execution and delivery of this Agreement, the performance of all obligations of the Company hereunder and the authorization, issuance and delivery of the Unit Shares and Warrants being sold hereunder and the issuance (and the reservation for issuance) of the Warrant Shares have been taken, and this Agreement, the Irrevocable Instructions to Transfer Agent, and the Registration Rights Agreement and the Warrants constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, except insofar as the enforceability may be limited by applicable bankruptcy, insolvency, reorganization, or other similar laws affecting creditors' rights generally or by principles governing the availability of equitable remedies. The Company has obtained all consents and approvals required for it to execute, deliver and perform each agreement referenced in the previous sentence.

4.4 VALID ISSUANCE OF SECURITIES. The Unit Shares and the Warrants, when issued, sold and delivered in accordance with the terms hereof, for the consideration expressed herein, will be validly issued, fully paid and nonassessable and, based in part upon the representations of Subscriber in this Agreement, will be issued in compliance with all applicable U.S. federal and state securities laws. The Warrant Shares, when issued in accordance with the terms of the Warrants shall be duly and validly issued and outstanding, fully paid and nonassessable, and based in part on the representations and warranties of Subscriber in this Agreement and of the, will be issued in compliance with all applicable U.S. federal and state securities laws. The Unit Shares and the Warrants will be issued free of any preemptive rights. The Company currently has Seven Million Two Hundred Thousand (7,200,000) shares of Common Stock reserved for the Unit Shares and upon exercise of the Warrants.

4.5 COMPLIANCE WITH OTHER INSTRUMENTS. The Company is not in violation or default of any provisions of its Articles of Incorporation or Bylaws each as amended, and in effect on and as of the date of this Agreement or of any provision of any instrument or contract to which it is a party or by which it is bound or of any provision of any federal or state judgment, writ, decree, order, statute, rule or governmental regulation applicable to the Company, which would have a material adverse effect on the Company's business or prospects, or on the performance of its obligations under this Agreement, the Registration Rights Agreement, and the Irrevocable Instructions to Transfer Agent, except as described in the Disclosure Documents. The execution, delivery and performance of this Agreement and the other agreements entered into in conjunction with the Offering and the consummation of the transactions contemplated hereby and thereby will not (a) result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument or contract or an event which results in the creation of any lien, charge or encumbrance upon any assets of the Company, which would have a material adverse effect on the Company's business or prospects, or on the performance of its obligations under this Agreement, the Registration Rights Agreement and the Irrevocable Instructions to Transfer Agent, except as described in the Disclosure Documents, (b) violate the Company's Articles of Incorporation or By-Laws or (c) violate any statute, rule or governmental regulation applicable to the Company which violation would have a material adverse effect on the Company's business or prospects.

4.6 REPORTING COMPANY. The Company is subject to the reporting requirements of the Exchange Act, has a class of securities registered under Section 12 of the Exchange Act, and has filed all reports required by the Exchange Act since the date the Company first became subject to such reporting obligations. The Company is not in violation of the listing requirements of the O.T.C. Bulletin Board.

4.7 CAPITALIZATION. The capitalization of the Company as of the Closing Date is, and the pro forma capitalization as of such date, after taking into account the offering of the Securities contemplated by this Agreement and all other share issuances occurring prior to this Offering, will be, as set forth in the Capitalization Schedule as set forth in EXHIBIT F. There are no securities or instruments containing anti-dilution or similar provisions that will be triggered by the issuance of the Securities.

As of January 6, 2000, the Company's authorized capital stock consisted of 150,000,000 shares of Common Stock, of which 81,215,305 shares are issued and outstanding and 23,504,743 (which includes Unit Shares and Warrants Underlying the Offering) shares were reserved for future issuance and 5,000,000 shares of preferred stock, of which 10,000 have been designated as Series B Preferred Stock, none of which are outstanding, 17,200 of which have previously been designated as Series C Preferred Stock, 50 of which are outstanding and the remaining 4,972,800 shares are undesignated as to series.

4.8 INTELLECTUAL PROPERTY. The Company has valid, unrestricted and exclusive ownership of or rights to use the patents, trademarks, trademark registrations, trade names, copyrights, know-how, technology and other intellectual property necessary to the conduct of its business. Section A of EXHIBIT H lists all patents, trademarks, trademark registrations, trade names and copyrights of the Company. The Company has granted such licenses or has assigned or otherwise transferred a portion of (or all of) such valid, unrestricted and exclusive patents, trademarks, trademark registrations, trade names, copyrights, know-how, technology and other intellectual property necessary to the conduct of its business as set forth on Section B of EXHIBIT H. The Company has been granted licenses, know-how, technology and/or other intellectual property necessary to the conduct of its business as set forth on Section C EXHIBIT H. To the best of the Company's knowledge after due inquiry, the Company is not infringing on the intellectual property rights of any third party, nor is any third party infringing on the Company's intellectual property rights. There are no restrictions in any agreements, licenses, franchises, or other instruments which preclude the Company from engaging in its business as presently conducted.

4.9 USE OF PROCEEDS. As of the date hereof, the Company expects to use the net proceeds from this Offering (less fees and expenses) for the purposes and in the approximate amounts set forth on the Use of Proceeds Schedule set forth as EXHIBIT G hereto. These purposes and amounts are estimates and are subject to change without notice to any Subscriber.

4.10 NO RIGHTS OF PARTICIPATION. No person or entity, including, but not limited to, current or former shareholders of the Company, underwriters, brokers, agents or other third parties, has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the financing contemplated by this Agreement which has not been waived.

4.11 COMPANY ACKNOWLEDGMENT. The Company hereby acknowledges that Subscriber may elect to hold the Securities for an indefinite period of time, as permitted by the terms of this Agreement and other agreements contemplated hereby, and the Company further acknowledges that Subscriber has made no representations or warranties, either written or oral, as to how long the Securities will be held by Subscriber or regarding Subscriber's trading history or investment strategies.

4.12 TERMINATION DATE OF OFFERING. While there may be more than one Closing of the purchase and sale of the Units for the Offering, last such Closing must occur not later than January 15, 2000. The date of such last Closing shall be referred to as the "Closing Date".

4.13 UNDERWRITER'S FEES AND RIGHTS OF FIRST REFUSAL. The Company is not obligated to pay any compensation or other fees, costs or related expenditures in cash or securities to any underwriter, broker, agent or other representative in connection with this Offering.

4.14 AVAILABILITY OF FORM S-3. The Company is currently eligible and agrees to maintain its eligibility to register the resale of its Common Stock on a registration statement on Form S-3 under the Act.

4.15 NO INTEGRATED OFFERING. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any of the Company's securities or solicited any offers to buy any security under circumstances that would prevent the parties hereto from consummating the transactions contemplated hereby pursuant to an exemption from registration under the Act pursuant to the provisions of Regulation D or would require the issuance of any other securities to be integrated with this Offering under the Rules of Nasdaq. The Company has not engaged in any form of general solicitation or advertising in connection with the offering of the Units.

4.16 INTENTIONALLY LEFT BLANK.

4.17 FOREIGN CORRUPT PRACTICES. Neither the Company, nor any director, officer, agent, employee or other person acting on behalf of the Company or any subsidiary has, in the course of its actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended; or made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

4.18 KEY EMPLOYEES. Each Key Employee (as defined below) is currently serving the Company in the capacity disclosed in EXHIBIT I. No Key Employee, to the best knowledge of the Company, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each Key Employee does not subject the Company or any of its subsidiaries to any liability with respect to any of the foregoing matters. No Key Employee has, to the best knowledge of the Company, any intention to terminate his employment with, or services to, the Company. "Key Employee" means each of John Bonfiglio, Ph.D. and Terrence Chew, M.D.

4.19 TAX STATUS. The Company has made or filed all federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and as set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim.

4.20 TRANSACTIONS WITH AFFILIATES. Except as set forth in the Disclosure Documents, none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

4.21 [INTENTIONALLY LEFT BLANK].

4.22 OTHER AGREEMENTS. The Company has not, directly or indirectly, made any agreements with the Subscriber, or any other subscriber under a subscription in the form of this Agreement for the purchase of Units, relating to the terms or conditions of the transactions contemplated hereby or thereby except as expressly set forth herein or therein, respectively, or in exhibits hereto or thereto.

5. COVENANTS OF THE COMPANY

5.1 INDEPENDENT AUDITORS. The Company shall, until at least three (3) years after the Closing Date, maintain as its independent auditors an accounting firm authorized to practice before the SEC.

5.2 CORPORATE EXISTENCE AND TAXES. The Company shall, until at least the later of (i) the date that is three (3) years after the Closing Date or (ii) the exercise of all Warrants issued pursuant to this Agreement, maintain its corporate existence in good standing and remain a "Reporting Issuer" (defined as a Company which files periodic reports under the Exchange Act) (provided, however, that the foregoing covenant shall not prevent the Company from entering into any merger or corporate reorganization as long as the surviving entity in such transaction, if not the Company, assumes the Company's obligations with respect to the Warrants and has Common Stock listed for trading on a stock exchange or on Nasdaq and is a Reporting Issuer) and shall pay all its taxes when due except for taxes which the Company disputes.

5.3 REGISTRATION RIGHTS. The Company will enter into a registration rights agreement covering the resale of the Unit Shares and the Warrant Shares in the form of the Registration Rights Agreement attached as EXHIBIT A.

5.4 [INTENTIONALLY LEFT BLANK].

5.5 ASSET TRANSFERS. The Company shall not transfer, sell, convey or otherwise dispose of any of its material assets to any Subsidiary or affiliate except for a cash or cash equivalent consideration and for a proper business purpose, prior to six (6) months from the date of this Agreement without the consent of the Subscriber.

5.6 RIGHTS OF FIRST REFUSAL.

5.6.1 INTENTIONALLY LEFT BLANK.

5.6.2 RIGHT OF FIRST OFFER. The Company agrees that, during the period beginning on the date hereof and terminating one year following the Closing Date, the Company will not, without the prior written consent of each Subscriber issue or sell, or agree to issue or sell any equity or debt securities of the Company (or any security convertible into or exercisable or exchangeable, directly or indirectly, for equity or debt securities of the Company) ("Future Offerings") unless the Company shall have first delivered to each Subscriber at least ten (10) business days prior to the closing of such Future Offering, written notice describing the proposed Future Offering, including the terms and conditions thereof, and providing each Subscriber and its affiliates an option for such ten (10) business day period following delivery of such notice to purchase up to the amount of the securities, as designated in Section 5.6.3 below, being offered in the Future Offering on the same terms as contemplated by such Future Offering (the limitations referred to in this sentence are collectively referred to as the "Capital Raising Limitations").

5.6.3 AMOUNT OF SUBSCRIBER'S RIGHT OF FIRST REFUSAL. The amount of securities which a Subscriber is entitled to purchase in such a Future Offering shall be a number obtained by multiplying the aggregate amount of securities being offered in the Future Offering by a fraction, the numerator of which is the purchase price of the Units purchased by the Subscriber pursuant to this Agreement and the denominator of which is the aggregate dollar amount of Units placed in this Offering.

5.7 FINANCIAL 10-K STATEMENTS, ETC. AND CURRENT REPORTS ON FORM 8-K. The Company shall make available, upon request, to the Subscribers copies of its annual reports on Form 10-K, and quarterly reports on Form 10-Q and shall deliver to the Subscriber current reports on form 8-K within two (2) days of filing for as long as the Preferred Stock may remain outstanding. The Company shall file a current report on form 8-K, if required pursuant to Section 13 or 15(d) of The Securities Act of 1934, disclosing the terms of this Offering and the Securities within five (5) business days of the date of Closing.

5.8 [INTENTIONALLY LEFT BLANK].

5.9 REMOVAL OF LEGEND UPON EXERCISE. Unit Shares and Warrant Shares shall be issued to transferees thereof without restrictive legend upon the terms set forth in the Irrevocable Instructions to Transfer Agent. The Company will, or will instruct the Transfer Agent to, remove the restrictive legend from Unit Shares and Warrant Shares provided that the applicable shares are eligible for resale pursuant to Rule 144(k) and the Holder thereof makes the representations necessary for counsel to the Company to issue a legal opinion to that effect.

5.10 LISTING. The Company shall use its best efforts to (i) continue the listing and trading of its Common Stock on the O.T.C. Bulletin Board, the Nasdaq Small Cap Market ("Nasdaq"), or on the Nasdaq National Market System ("NMS"), the New York Stock Exchange ("NYSE"), or the American Stock Exchange ("AMEX"); and (ii) comply in all material respects with the Company's reporting, filing and other obligations under the by-laws or rules of the National Association of Securities Dealers ("NASD") and such exchanges, as applicable.

5.11 THE COMPANY'S INSTRUCTIONS TO TRANSFER AGENT. The Company shall use its best efforts to, within ten (10) business days of the Closing Date, enter into an agreement with the Company's transfer agent (the "Transfer Agent") substantially in the form attached hereto as EXHIBIT D (the "Irrevocable Instructions to Transfer Agent"), with such modifications as are necessary to reflect the terms of this Offering. The Company will issue to its Transfer Agent the Irrevocable Instructions to Transfer Agent in the form of EXHIBIT D instructing the Transfer Agent to issue certificates, registered in the name of each Subscriber or its nominee, for the Warrant Shares in such amounts as specified from time to time by such Subscriber to the Company upon the exercise of the Warrants. The Company warrants that no instruction, other than such instructions referred to in Section 5.9 hereof will be given by the Company to its Transfer Agent with respect to the Units, or the Warrant Shares. Nothing in this Section shall affect in any way each Subscriber's obligations and agreement set forth in Sections 2.3.3 or 2.3.4 hereof to resell the Securities pursuant to an effective registration statement and to deliver a prospectus in connection with such sale or in compliance with an exemption from the registration requirements of applicable securities laws. The Company hereby agrees that it will not unilaterally terminate its relationship with the Transfer Agent for any reason prior to the date which is two (2) years and one month after the Closing Date or one (1) month after the Nine Month Anniversary Date, whichever is earlier (the "Ending Date") without the consent of the Subscriber. In the event the Company's agency relationship with the Transfer Agent should be terminated for any other reason prior to the date which is three (3) years after the Closing Date, the Company's Transfer Agent shall continue acting as transfer agent pursuant to the terms of the Irrevocable Instructions to Transfer Agent until such time that a successor transfer agent (i) is appointed by the Company; (ii) is approved by the Subscriber; and (iii) executes and agrees to be bound by the terms of the Irrevocable Instructions to Transfer Agent.

6. SUBSCRIBER COVENANT/MISCELLANEOUS

6.1 REPRESENTATIONS AND WARRANTIES SURVIVE THE CLOSING; SEVERABILITY. The Subscriber's and the Company's representations and warranties shall survive the Closing of the transactions contemplated by this Agreement notwithstanding any due diligence investigation made by or on behalf of the party seeking to rely thereon. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision.

6.2 SUCCESSORS AND ASSIGNS. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement. Subscriber may assign Subscriber's rights hereunder, in connection with any private sale of the Warrants of such Subscriber, so long as, as a condition precedent to such transfer, the transferee executes an acknowledgment agreeing to be bound by the applicable provisions of this Agreement in a form acceptable to the Company and provides an original copy of such acknowledgment to the Company.

6.3 GOVERNING LAW; JURISDICTION; ARBITRATION. Any controversy or claim arising out of or related to this Agreement or the breach thereof, shall be settled by binding arbitration in Wilmington, Delaware in accordance with the Expedited Procedures (Rules 53-57) of the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A proceeding shall be commenced upon written demand by Company or any Subscriber to the other. The arbitrator(s) shall enter a judgment by default against any party which fails or refuses to appear in any properly noticed arbitration proceeding. The proceeding shall be conducted by one (1) arbitrator, unless the amount alleged to be in dispute exceeds two hundred fifty thousand dollars (\$250,000), in which case three (3) arbitrators shall preside. The arbitrator(s) will be chosen by the parties from a list provided by the AAA, and if they are unable to agree within ten (10) days, the AAA shall select the arbitrator(s). The arbitrators must be experts in securities law and financial transactions. The arbitrators shall assess costs and expenses of the arbitration, including all attorneys' and experts' fees, as the arbitrators believe is appropriate in light of the merits of the parties' respective positions in the issues in dispute. Each party submits irrevocably to the jurisdiction of any state court sitting in Wilmington, Delaware or to the United States District Court sitting in Delaware for purposes of enforcement of any discovery order, judgment or award in connection with such arbitration. The award of the arbitrator(s) shall be final and binding upon the parties and may be enforced in any court having jurisdiction. The arbitration shall be held in such place as set by the arbitrator(s) in accordance with Rule 55.

6.4 EXECUTION IN COUNTERPARTS PERMITTED. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one (1) instrument.

6.5 TITLES AND SUBTITLES; GENDER. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. The use in this Agreement of a masculine, feminine or neither pronoun shall be deemed to include a reference to the others.

6.6 WRITTEN NOTICES, ETC. Any notice, demand or request required or permitted to be given by the Company or Subscriber pursuant to the terms of this Agreement shall be in writing and shall be deemed given when delivered personally, or by facsimile or upon receipt if by overnight or two (2) day courier, addressed to the parties at the addresses and/or facsimile telephone number of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing.

6.7 EXPENSES. Except as set forth in Section 8 hereof and Section 9 of the Registration Rights Agreement, each of the Company and Subscriber shall pay all costs and expenses that it respectively incurs, with respect to the negotiation, execution, delivery and performance of this Agreement.

6.8 ENTIRE AGREEMENT; WRITTEN AMENDMENTS REQUIRED. This Agreement, including the Exhibits attached hereto, the Warrants, the Registration Rights Agreement, the Escrow Agreement, the Irrevocable Instructions to Transfer Agent and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof, and no party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

6.9 [Intentionally Left Blank]

6.10 [Intentionally Left Blank]

7. [INTENTIONALLY LEFT BLANK].

8. INDEMNIFICATION.

In consideration of each Buyer's execution and delivery of the Subscription Agreement, Registration Rights Agreement, Irrevocable Instructions to Transfer Agent (the "Transaction Documents") and acquiring the Securities thereunder and in addition to all of the Company's other obligations under the Transaction Documents, the company shall defend, protect, indemnify and hold harmless Subscriber and all of its stockholders, officers, directors, employees and direct or indirect investors and any of the foregoing person's agents, members, partners or other representatives (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorney's fees and disbursements (the "Indemnified Liabilities"), incurred by any Indemnitee as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in the Transaction Documents or any other certificate, instrument or documents contemplated hereby or thereby, or (b) any breach of any covenant, agreement or obligation of the Company contained in the Transaction Documents or any other certificate, instrument or document contemplated hereby or thereby.

To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which it would be required to make if such foregoing undertaking was enforceable which is permissible under applicable law.

Promptly after receipt by an Indemnified Party of notice of the commencement of any action pursuant to which indemnification may be sought, such Indemnified Party will, if a claim in respect thereof is to be made against the other party (hereinafter "Indemnitor") under this Section 8, deliver to the Indemnitor a written notice of the commencement thereof and the Indemnitor shall have the right to participate in and to assume the defense thereof with counsel reasonably selected by the Indemnitor, provided, however, that an Indemnified Party shall have the right to retain its own counsel, with the reasonably incurred fees and expenses of such counsel to be paid by the Indemnitor, if representation of such Indemnified Party by the counsel retained by the Indemnitor would be inappropriate due to actual or potential conflicts of interest between such Indemnified Party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the Indemnitor within a reasonable time of the commencement of any such action, if prejudicial to the Indemnitor's ability to defend such action, shall relieve the Indemnitor of any liability to the Indemnified Party under this Section 8, but the omission to so deliver written notice to the Indemnitor will not relieve it of any liability that it may have to any Indemnified Party other than under this Section 8 to the extent it is prejudicial.

9. [INTENTIONALLY LEFT BLANK].

[INTENTIONALLY LEFT BLANK]

10. NUMBER OF SHARES AND PURCHASE PRICE. Subscriber subscribes for _____ Units (at a price of \$_____ per Unit) against payment by wire transfer in the amount of \$_____.

11. ACCREDITED INVESTOR. Subscriber is an "accredited investor" because (check all applicable boxes):

(a) it is an organization described in Section 501(c)(3) of the Internal Revenue Code, or a corporation, limited duration company, limited liability company, business trust, or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

(b) any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.

(c) a natural person, who

is a director, executive officer or general partner of the issuer of the securities being offered or sold or a director, executive officer or general partner of a general partner of that issuer.

has an individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeding \$1,000,000.

had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

(d) an entity each equity owner of which is an entity described in a - b above or is an individual who could check one (1) of the last three (3) boxes under subparagraph (c) above.

(e) other _____
[specify]

The undersigned acknowledges that this Agreement and the subscription represented hereby shall not be effective unless accepted by the Company as indicated below.

IN WITNESS WHEREOF, the undersigned Subscriber does represent and certify under penalty of perjury that the foregoing statements are true and correct and that Subscriber by the following signature(s) executed this Agreement.

Dated this ____ day of January, 2000.

Your Signature

PRINT EXACT NAME IN WHICH YOU WANT
THE SECURITIES TO BE REGISTERED

DELIVERY INSTRUCTIONS:

Name: Please Print

Please type or print address where
your security is to be delivered

Title/Representative Capacity (if applicable)

ATTN.: _____

Name of Company You Represent (if applicable)

Street Address

Place of Execution of this Agreement

City, State or Province, Country,
Offshore Postal Code

Phone Number (For Federal Express) and Fax Number (re: Notice)

WITH A COPY TO:
Please type or print address where copies are to be delivered

ATTN.: _____

Street Address

City, State or Province, Country, Offshore Postal Code

Phone Number (For Federal Express) and Fax Number (re: Notice)

THIS AGREEMENT IS ACCEPTED BY THE COMPANY IN THE AMOUNT OF \$
_____ ON THE ____ DAY OF JANUARY, 2000.

Techniclone Corporation

By: _____
Name: _____
Title: _____

10. NUMBER OF SHARES AND PURCHASE PRICE. Subscriber subscribes for 800,000 Units (at a price of \$0.25 per Unit) against payment by wire transfer in the amount of \$200,000.

11. ACCREDITED INVESTOR. Subscriber is an "accredited investor" because (check all applicable boxes):

(a) it is an organization described in Section 501(c)(3) of the Internal Revenue Code, or a corporation, limited duration company, limited liability company, business trust, or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

(b) any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.

(c) a natural person, who
 is a director, executive officer or general partner of the issuer of the securities being offered or sold or a director, executive officer or general partner of a general partner of that issuer.

has an individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeding \$1,000,000.

had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

(d) an entity each equity owner of which is an entity described in a - b above or is an individual who could check one (1) of the last three (3) boxes under subparagraph (c) above.

(e) other
[specify] _____

The undersigned acknowledges that this Agreement and the subscription represented hereby shall not be effective unless accepted by the Company as indicated below.

IN WITNESS WHEREOF, the undersigned Subscriber does represent and certify under penalty of perjury that the foregoing statements are true and correct and that Subscriber by the following signature(s) executed this Agreement.

Dated this 13th day of January, 2000.

| | |
|--|--|
| /S/EDWARD J. LEGERE ----- Your Signature | BIOTECHNOLOGY DEVELOPMENT, LTD. ----- PRINT EXACT NAME IN WHICH YOU WANT THE SECURITIES TO BE REGISTERED DELIVERY INSTRUCTIONS: ----- Please type or print address where your security is to be delivered |
| BUEN HERMANOS, INC. ----- Name: Please Print | |

| | |
|--|---|
| GENERAL PARTNER ----- Title/Representative Capacity (if applicable) | ATTN.: EDWARD J. LEGERE ----- |
| BIOTECHNOLOGY DEVELOPMENT, LTD. ----- Name of Company You Represent (if applicable) | 222 SOUTH RAINBOW, SUITE 218 ----- Street Address |
| LAKE WORTH, FL ----- Place of Execution of this Agreement | LAS VEGAS, NV 89128 ----- City, State or Province, Country, Offshore Postal Code |

Phone Number (For Federal Express) and Fax Number (re: Notice)

WITH A COPY TO:
Please type or print address where copies are to be delivered

ATTN.: _____

Street Address

City, State or Province, Country, Offshore Postal Code

Phone Number (For Federal Express) and Fax Number (re: Notice)

THIS AGREEMENT IS ACCEPTED BY THE COMPANY IN THE AMOUNT OF \$200,000 ON THE 13th DAY OF JANUARY, 2000.

Techniclone Corporation
By: /S/ JOHN N. BONFIGLIO

Name: JOHN N. BONFIGLIO
Title: PRESIDENT

10. NUMBER OF SHARES AND PURCHASE PRICE. Subscriber subscribes for 400,000 Units (at a price of \$0.25 per Unit) against payment by wire transfer in the amount of \$100,000.

11. ACCREDITED INVESTOR. Subscriber is an "accredited investor" because (check all applicable boxes):

(a) it is an organization described in Section 501(c)(3) of the Internal Revenue Code, or a corporation, limited duration company, limited liability company, business trust, or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

(b) any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.

(c) a natural person, who
 is a director, executive officer or general partner of the issuer of the securities being offered or sold or a director, executive officer or general partner of a general partner of that issuer.

has an individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeding \$1,000,000.

had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

(d) an entity each equity owner of which is an entity described in a - b above or is an individual who could check one (1) of the last three (3) boxes under subparagraph (c) above.

(e) other
[specify] _____

The undersigned acknowledges that this Agreement and the subscription represented hereby shall not be effective unless accepted by the Company as indicated below.

IN WITNESS WHEREOF, the undersigned Subscriber does represent and certify under penalty of perjury that the foregoing statements are true and correct and that Subscriber by the following signature(s) executed this Agreement.

Dated this 25th day of January, 2000.

/S/ EDWARD J. LEGERE

Your Signature

BIOTECHNOLOGY DEVELOPMENT, LTD.

PRINT EXACT NAME IN WHICH YOU WANT
THE SECURITIES TO BE REGISTERED

BUEN HERMANOS, INC.

Name: Please Print

DELIVERY INSTRUCTIONS:

Please type or print address where
your security is to be delivered

GENERAL PARTNER

Title/Representative Capacity
(if applicable)

ATTN.: EDWARD J. LEGERE

BIOTECHNOLOGY DEVELOPMENT, LTD.

Name of Company You Represent
(if applicable)

222 SOUTH RAINBOW, SUITE 218

Street Address

LAKE WORTH, FL

Place of Execution of this Agreement

LAS VEGAS, NV 89128

City, State or Province, Country,
Offshore Postal Code

Phone Number (For Federal Express) and Fax Number (re: Notice)

WITH A COPY TO:
Please type or print address where copies are to be delivered

ATTN.: _____

Street Address

City, State or Province, Country, Offshore Postal Code

Phone Number (For Federal Express) and Fax Number (re: Notice)

THIS AGREEMENT IS ACCEPTED BY THE COMPANY IN THE AMOUNT OF \$100,000 ON
THE 25th DAY OF JANUARY, 2000.

Techniclone Corporation

By: /S/ JOHN N. BONFIGLIO

Name: JOHN N. BONFIGLIO
Title: PRESIDENT

10. NUMBER OF SHARES AND PURCHASE PRICE. Subscriber subscribes for 400,000 Units (at a price of \$0.25 per Unit) against payment by wire transfer in the amount of \$100,000.

11. ACCREDITED INVESTOR. Subscriber is an "accredited investor" because (check all applicable boxes):

(a) it is an organization described in Section 501(c)(3) of the Internal Revenue Code, or a corporation, limited duration company, limited liability company, business trust, or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

(b) any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.

(c) a natural person, who
 is a director, executive officer or general partner of the issuer of the securities being offered or sold or a director, executive officer or general partner of a general partner of that issuer.

has an individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeding \$1,000,000.

had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

(d) an entity each equity owner of which is an entity described in a - b above or is an individual who could check one (1) of the last three (3) boxes under subparagraph (c) above.

(e) other
[specify] _____

The undersigned acknowledges that this Agreement and the subscription represented hereby shall not be effective unless accepted by the Company as indicated below.

IN WITNESS WHEREOF, the undersigned Subscriber does represent and certify under penalty of perjury that the foregoing statements are true and correct and that Subscriber by the following signature(s) executed this Agreement.

Dated this 6th day of January, 2000.

/S/ ERIC S. SWARTZ

SWARTZ INVESTMENTS, LLC

Your Signature

PRINT EXACT NAME IN WHICH YOU WANT
THE SECURITIES TO BE REGISTERED

DELIVERY INSTRUCTIONS:

ERIC S. SWARTZ

Please type or print address where
your security is to be delivered

Name: Please Print

MANAGER

ATTN.: ERIC S. SWARTZ

Title/Representative Capacity
(if applicable)

200 Roswell Summit, Suite 285
1080 HOLCOMB BRIDGE ROAD

SWARTZ INVESTMENTS, LLC

Street Address

Name of Company You Represent
(if applicable)

ROSWELL, GEORGIA, U.S.A.

ROSWELL, GEORGIA 30076, U.S.A.

Place of Execution of this Agreement

City, State or Province, Country,
Offshore Postal Code

Phone Number (For Federal Express) and Fax Number (re: Notice)

WITH A COPY TO:

Please type or print address where copies are to be delivered

ATTN.: _____

Street Address

City, State or Province, Country, Offshore Postal Code

Phone Number (For Federal Express) and Fax Number (re: Notice)

THIS AGREEMENT IS ACCEPTED BY THE COMPANY IN THE AMOUNT OF \$100,000 ON
THE 6th DAY OF JANUARY, 2000.

Techniclone Corporation

By: /S/ JOHN N. BONFIGLIO

Name: JOHN N. BONFIGLIO
Title: PRESIDENT

10. NUMBER OF SHARES AND PURCHASE PRICE. Subscriber subscribes for 400,000 Units (at a price of \$0.25 per Unit) against payment by wire transfer in the amount of \$100,000.00, as exercise of option.

11. ACCREDITED INVESTOR. Subscriber is an "accredited investor" because (check all applicable boxes):

(a) it is an organization described in Section 501(c)(3) of the Internal Revenue Code, or a corporation, limited duration company, limited liability company, business trust, or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

(b) any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.

(c) a natural person, who
 is a director, executive officer or general partner of the issuer of the securities being offered or sold or a director, executive officer or general partner of a general partner of that issuer.

has an individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeding \$1,000,000.

had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

(d) an entity each equity owner of which is an entity described in a - b above or is an individual who could check one (1) of the last three (3) boxes under subparagraph (c) above.

(e) other
[specify] _____

The undersigned acknowledges that this Agreement and the subscription represented hereby shall not be effective unless accepted by the Company as indicated below.

IN WITNESS WHEREOF, the undersigned Subscriber does represent and certify under penalty of perjury that the foregoing statements are true and correct and that Subscriber by the following signature(s) executed this Agreement.

Dated this 25th day of January, 2000.

| | |
|--|---|
| /S/ ERIC S. SWARTZ ----- Your Signature | SWARTZ INVESTMENTS, LLC ----- PRINT EXACT NAME IN WHICH YOU WANT THE SECURITIES TO BE REGISTERED |
| ERIC S. SWARTZ ----- Name: Please Print | DELIVERY INSTRUCTIONS: ----- Please type or print address where your security is to be delivered |
| MANAGER ----- Title/Representative Capacity (if applicable) | ATTN.: ERIC S. SWARTZ ----- |
| SWARTZ INVESTMENTS, LLC ----- Name of Company You Represent (if applicable) | 200 Roswell Summit, Suite 285 1080 HOLCOMB BRIDGE ROAD ----- Street Address |
| ROSWELL, GEORGIA, U.S.A. ----- Place of Execution of this Agreement | ROSWELL, GEORGIA 30076, U.S.A. ----- City, State or Province, Country, Offshore Postal Code |

Phone Number (For Federal Express) and Fax Number (re: Notice)

WITH A COPY TO:

Please type or print address where copies are to be delivered

ATTN.: _____

Street Address

City, State or Province, Country, Offshore Postal Code

Phone Number (For Federal Express) and Fax Number (re: Notice)

THIS AGREEMENT IS ACCEPTED BY THE COMPANY IN THE AMOUNT OF \$100,000 ON THE 25th DAY OF JANUARY, 2000.

Techniclone Corporation

By: /S/ JOHN N. BONFIGLIO

Name: JOHN N. BONFIGLIO
Title: PRESIDENT

REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT ("Agreement") is entered into as of January 6th, 2000, by and among Techniclone Corporation, a corporation duly incorporated and existing under the laws of the State of Delaware ("Company"), and the Subscribers (hereinafter referred to as "Subscribers") to the Company's Offering ("Offering") of up to Six Hundred Thousand Dollars (\$600,000) of Units, with an Option to purchase an additional Three Hundred Thousand Dollars of Units as stated in the Subscription Agreement, (the "Units"), each Unit consisting of one share of Common Stock (the "Unit Shares") and a Warrant ("Unit Warrant") to purchase one share of Common Stock, all pursuant to the Regulation D Subscription Agreement between the Company and the Subscribers ("Subscription Agreement").

1. DEFINITIONS. For purposes of this Agreement:

(a) The terms "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933 (the "Act"), and pursuant to Rule 415 under the Act or any successor rule, and the declaration or ordering of effectiveness of such registration statement or document;

(b) For purposes hereof, the term "Registrable Securities" means the shares of the Company's Common Stock together with any capital stock issued in replacement of, in exchange for or otherwise in respect of such Common Stock, issuable or issued (i) as Unit Shares, and (ii) upon exercise of the Unit Warrants.

Notwithstanding the above:

1. Common Stock which would otherwise be deemed to be Registrable Securities shall not constitute Registrable Securities if and to the extent that those shares of Common Stock may be resold in a public transaction pursuant to Rule 144(k) under the Act; and

2. any Registrable Securities resold in a public transaction shall cease to constitute Registrable Securities.

(c) [Intentionally Left Blank].

(d) The term "Holder" means any person owning or having the right to acquire Registrable Securities;

1

(e) The term "Filing Date" means the date which is sixty (60) days after the Closing Date (as defined in the Subscription Agreement) and the term "Due Date" means either (i) the date which is one hundred fifty (150) days after such Closing Date, if the Registration Statement is not filed by the Filing Date, or (ii) the date which is one hundred twenty (120) days after such Closing Date, if the Registration Statement is filed by the Filing Date, or.

2. REQUIRED REGISTRATION.

(a) The Company shall use its best efforts to file, by the Filing Date, a registration statement ("Registration Statement") on Form S-3 (or other suitable form, at the Company's discretion, but subject to the reasonable approval of the Holders), covering no more than 7,200,000 shares for holders of piggyback rights at the time of this Agreement, plus covering the resale of all of the Registrable Securities, which Registration Statement, to the extent allowable under the Securities Act and the Rules promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such indeterminate number of additional shares of Common Stock as may become issuable upon the exercise of the Warrants to prevent dilution resulting from stock splits, stock dividends or similar transactions. The Company shall use its best efforts to have the Registration Statement declared effective as soon as possible. In the event that the Company is notified by a Holder of Registrable Securities relating to the Units that the Registration Statement does not cover a sufficient number of shares of Common Stock to effect the resales of a number of shares of Common Stock equal to at least (i) one hundred fifty percent (150%) of the number of shares of Common Stock that would be issuable to such Holder (a "Registration Shortfall"), the Company shall, within seven (7) business days, amend the Registration Statement or file a new Registration Statement (an "Amended" or "New" Registration Statement, respectively), as appropriate, to add such number of additional shares as would be necessary to effect the resales of a number of shares of Common Stock equal to at least two hundred percent (200%) of the number of shares of Common Stock that would be issuable to such Holder. If for any reason or for no reason, the Registration Statement is not declared effective under the Securities Act on or prior to the Due Date or is not available for resales of all Registrable Securities at anytime thereafter ("Registration Failure Period"), the Company shall make payments to each Holder ("Registration Failure Payments") which shall accrue at the rate of 2% per month, accruing daily, on the principal amount of \$600,000, or the actual amount invested, until the later of (a) the end of such Registration Failure Period, payable, at the option of the Holder (i) in shares of Common Stock ("Additional Shares"), valued at the closing bid price of the Common Stock on the business day immediately prior to the delivery of the Additional Shares or (ii) in cash, in each case payable within 5 business days of the last day of the calendar month in which they accrue

Notwithstanding the above, no Registration Failure Payments shall accrue prior to the Due Date.

Such Additional Shares shall also be deemed "Registrable Securities" as defined herein. The Company covenants to use its best efforts to use Form S-3 for the registration required by this Section during all applicable times contemplated by this Agreement.

(b) The Registration Statement shall be prepared as a "shelf" registration statement under Rule 415, and shall be maintained effective until all Registrable Securities cease to exist.

(c) The Company represents that it is presently eligible to effect the registration contemplated hereby on Form S-3 and will use its best efforts to continue to take such actions as are necessary to maintain such eligibility.

(d) Notwithstanding anything contained herein to the contrary, the Company shall not be required to register additional shares hereunder if such shares are not available for issuance as a result of the unavailability of authorized but unreserved shares of Common Stock.

(e) [Intentionally Left Blank].

3. PIGGYBACK REGISTRATION. If the Registration Statement described in Section 2 is not effective and if (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Holders) any of its Common Stock under the Act in connection with the public offering of such securities solely for cash (other than a registration relating solely for the sale of securities to participants in a Company stock plan or a registration on Form S-4 promulgated under the Act or any successor or similar form registering stock issuable upon a reclassification, upon a business combination involving an exchange of securities or upon an exchange offer for securities of the issuer or another entity), the Company shall, at such time, promptly give each Holder written notice of such registration (a "Piggyback Registration Statement"). Upon the written request of each Holder given by fax within ten (10) days after mailing of such notice by the Company, the Company shall cause to be included in such registration statement under the Act all of the Registrable Securities that each such Holder has requested to be registered ("Piggyback Registration") to the extent such inclusion does not violate the registration rights of any other security holder of the Company granted prior to the date hereof; nothing herein shall prevent the Company from withdrawing or abandoning the registration statement prior to its effectiveness. The election of initiating Holders to participate in a Piggyback Registration Statement shall not impact the amount payable to investors pursuant to Section 2(a) herein except that the Registration Failure Payment shall cease to accrue as of the date of effectiveness of the Piggyback Registration Statement.

4. LIMITATION ON OBLIGATIONS TO REGISTER.

(a) In the case of a Piggyback Registration involving an underwritten public offering by the Company, if the managing underwriter determines and advises in writing that the inclusion in the registration statement of all Registrable Securities proposed to be included would interfere with the successful marketing of the securities proposed to be registered by the Company, then the number of such Registrable Securities to be included in the registration statement, to the extent such Registrable Securities may be included in such Piggyback Registration Statement, shall be allocated among all Holders who had requested Piggyback Registration pursuant to the terms hereof,

in the proportion that the number of Registrable Securities which each such Holder seeks to register bears to the total number of Registrable Securities sought to be included by all Holders. If required by the managing underwriter of such an underwritten public offering, the Holders shall enter into a reasonable agreement limiting the number of Registrable Securities to be included in such Piggyback Registration Statement and the terms, if any, regarding the future sale of such Registrable Securities.

(b) In the event the Company believes that shares sought to be registered under Section 2 or Section 3 by Holders do not constitute "Registrable Securities" by virtue of Section 1(b) of this Agreement, and the status of those shares as Registrable Securities is disputed, the Company shall provide, at its expense, an Opinion of Counsel, reasonably acceptable to the Holders of the Securities at issue (and satisfactory to the Company's transfer agent to permit the sale and transfer) that those securities may be sold immediately, without volume limitation without registration under the Act, by virtue of Rule 144 or similar provisions.

5. OBLIGATIONS OF THE COMPANY. Whenever required under this Agreement to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the Securities and Exchange Commission ("SEC") a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective and to remain effective for the applicable period.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Securities Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders of the Registrable Securities covered by such registration statement, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) As promptly as practicable after becoming aware of such event, notify each Holder of Registrable Securities of the happening of any event of which the Company has knowledge, as a result of which the prospectus included in the registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and promptly prepare and file a supplement or amendment to the registration statement to correct such untrue statement or omission, and deliver a number of copies of such supplement or amendment to each Holder as such Holder may reasonably request.

(g) Provide Holders with written notice within one (1) business day of the date that a registration statement and any amendment thereto registering the resale of the Registrable Securities is declared effective by the SEC, and the date or dates when the Registration Statement is no longer effective.

(h) Provide Holders and their representatives the opportunity to conduct a reasonable due diligence inquiry of Company's pertinent financial and other records and make available its officers, directors and employees for questions regarding such information as it relates to information contained in the registration statement.

(i) Provide Holders and their representatives the opportunity to review the registration statement and all amendments thereto a reasonable period of time prior to their filing with the SEC if so requested by Holder in writing.

(j) Provide each Holder with prompt notice of the issuance by the SEC or any state securities commission or agency of any stop order suspending the effectiveness of the registration statement or the initiation of any proceeding for such purpose. The Company shall use its best efforts to prevent the issuance of any stop order, and, if any is issued, to obtain the removal thereof at the earliest possible dates.

(k) Use its best efforts to list the Registrable Securities covered by the registration statement with all securities exchanges or markets on which the Common Stock is then listed and prepare and file any required filing with the NASD or any such exchange or market.

6. BLACK OUT. In the event that, during the time that the Registration Statement is effective, the Company reasonably determines, based upon advice of counsel, that due to the existence of material non-public information, disclosure of such material non-public information would be required to make the statements contained in the Registration Statement not misleading, and the Company has a bona fide business purpose for preserving as confidential such material non-public information, the Company shall have the right to suspend the use of the Registration Statement (a "Registration Black Out"), and no Holder shall be permitted to sell any Registrable Securities pursuant thereto, until such time as such suspension is no longer required hereunder; provided, however, that such time shall not exceed a period of sixty (60) days. As soon as such suspension is no longer required hereunder, the Company shall, if required, promptly, but in no event later than the date the Company files any documents with the Securities and Exchange Commission ("SEC") referencing such material information, file with the SEC an amendment to the Registration Statement disclosing such information and use its best efforts to have such amendment declared effective as soon as possible.

In the event that the use of the Registration Statement is suspended by the Company, the Company shall promptly notify all Holders whose securities are covered by the Registration Statement of such suspension, and shall promptly notify each such Holder as soon as use of the Registration Statement may be resumed. Notwithstanding anything to the contrary, the Company shall cause the Transfer Agent to deliver unlegended shares of Common Stock to a transferee of a Holder in accordance with the terms of the Subscription Agreement in connection with any sale of Registrable Securities with respect to which such Holder has entered into a contract for sale prior to receipt of notice of such Registration Black Out and for which such Holder has not yet settled. The Company shall be entitled to effect no more than one Registration Black Out during any twelve- (12) month period.

7. FURNISH INFORMATION. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with regard to each selling Holder that such selling Holder shall timely furnish to the Company such information regarding Holder, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of its Registrable Securities or to determine that registration is not required pursuant to Rule 144 or other applicable provision of the Act.

8. EXPENSES. All expenses other than underwriting discounts and commissions and fees and expenses of counsel to the selling Holders incurred in connection with registrations, filings or qualifications pursuant hereto, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, shall be borne by the Company.

9. INDEMNIFICATION. In the event any Registrable Securities are included in a Registration Statement or a Piggyback Registration Statement under this Agreement:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the officers, directors and agents of each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements or omissions: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, and the Company will reimburse each such Holder, officer or director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case

for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a statement which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, officer, director, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, any underwriter and any other Holder selling securities in such registration statement or any of its directors or officers or any person who controls such Holder, against any losses, claims, damages, or liabilities (joint or several) to which the Company or any such director, officer, controlling person, or underwriter or controlling person, or other such Holder or director, officer or controlling person may become subject, under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any statement or omission in each case to the extent (and only to the extent) that such statement or omission is made in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration statement; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company and any such director, officer, controlling person, underwriter or controlling person, other Holder, officer, director, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld.

(c) Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party shall have the right to retain its own counsel, with the reasonably incurred fees and expenses of one such counsel to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential conflicting interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 9, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 9.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 9 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Company and each Holder agree to contribute to the aggregate claims, losses, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the Company and one or more of the Holder may be subject in such proportion as is appropriate to reflect the relative fault of the Company and the Holders in connection with the statements or omissions which resulted in such Losses. Relative fault shall be determined by reference to whether any alleged untrue statement or omission relates to information provided by the Company or by the Holders. The Company and the Holders agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 9, each person who controls a Holder of Registrable Securities within the meaning of either the Securities Act or the Exchange Act and each director, officer, partner, employee and agent of a Holder shall have the same rights to contribution as such holder, and each person who controls the Company within the meaning of either the Act or the Exchange Act and each director of the Company, and each officer of the Company who has signed the registration statement, shall have the same rights to contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The obligations of the Company and Holders under this Section 9 shall survive the completion of any offering of Registrable Securities in a Registration Statement under this Agreement, and otherwise.

10. REPORTS UNDER SECURITIES EXCHANGE ACT OF 1934. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) use its best efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

11. AMENDMENT OF REGISTRATION RIGHTS. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Holders of a majority of the Registrable Securities provided that the amendment treats all Holders equally. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Holder, each future Holder, and the Company.

12. NOTICES. All notices required or permitted under this Agreement shall be made in writing signed by the party making the same, shall specify the section under this Agreement pursuant to which it is given, and shall be addressed if to (i) the Company at the address, telephone number and facsimile number set forth on the signature pages of this Agreement and (ii) the Holders at their respective last address and facsimile number of the party as shown on the records of the Company. Any notice, except as otherwise provided in this Agreement, shall be made by fax and shall be deemed given at the time of transmission of the fax.

13. TERMINATION. This Agreement shall terminate on the date all Registrable Securities cease to exist; but without prejudice to (i) the parties' rights and obligations arising from breaches of this Agreement occurring prior to such termination (ii) other indemnification obligations under this Agreement.

14. ASSIGNMENT. The rights of a Holder may be transferred to a subsequent holder of the Holder's Registrable Securities (provided such transferee shall provide to the Company, together with or prior to such transferee's request to have such Registrable Securities included in a Piggyback Registration, a writing executed by such transferee agreeing to be bound as a Holder by the terms of this Agreement), and the Company hereby agrees to file a new registration statement or an amended registration statement including such transferee or a selling security holder thereunder.

15. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to agreements made in and wholly to be performed in that jurisdiction, except for matters arising under the Act or the Securities Exchange Act of 1934, which matters shall be construed and interpreted in accordance with such laws.

16. EXECUTION IN COUNTERPARTS PERMITTED. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one (1) instrument.

17. SPECIFIC PERFORMANCE. The Holder shall be entitled to the remedy of specific performance in the event of the Company's breach of this Agreement, the parties agreeing that a remedy at law would be inadequate.

18. ENTIRE AGREEMENT. This Agreement, including the Exhibits attached hereto, the Subscription Agreement, , the Irrevocable Instructions to Transfer Agent, and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of this 6th day of January, 2000.

TECHNICLONE CORPORATION

By: /S/ JOHN N. BONFIGLIO

President

Address:
14282 Franklin Avenue
Tustin, CA 92780-7017
Phone (714) 838-0500
Fax (714)838-4094

INVESTOR(S)

SWARTZ INVESTMENTS, LLC

Investor's Name

BY: /S/ ERIC S. SWARTZ, MANAGER

(Signature)

Address: 200 Roswell Summit, Suite 285
1080 Holcomb Bridge Road
Roswell, Georgia 30076

BIOTECHNOLOGY DEVELOPMENT LTD.

Investor's Name

BY: /S/ EDWARD J. LEGERE

(Signature)

Address: 222 South Rainbow, Suite 218
Las Vegas, NV 89128

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF OR EXERCISED UNLESS (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (ii) AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE IN CONNECTION WITH SUCH OFFER, SALE OR TRANSFER.

AN INVESTMENT IN THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK. SUBSCRIBERS MUST RELY ON THEIR OWN ANALYSIS OF THE INVESTMENT AND ASSESSMENT OF THE RISKS INVOLVED.

Warrant to Purchase
_____ shares

WARRANT TO PURCHASE COMMON STOCK
OF
TECHNICLONE CORPORATION

THIS CERTIFIES that _____ or any subsequent holder hereof ("Holder"), has the right to purchase from TECHNICLONE CORPORATION a Delaware corporation (the "Company"), up to _____ fully paid and nonassessable shares of the Company's common stock, \$.001 par value per share ("Common Stock"), subject to adjustment as provided herein, at a price equal to the Exercise Price as defined in Section 3 below, at any time beginning on the Date of Issuance (defined below) and ending at 5:00 p.m., New York, New York time, on January 6, 2005 (the "Exercise Period").

Holder agrees with the Company that this Warrant to Purchase Common Stock of Techniclone Corporation (this "Warrant") is issued and all rights hereunder shall be held subject to all of the conditions, limitations and provisions set forth herein.

1. DATE OF ISSUANCE.

This Warrant shall be deemed to be issued on _____, 2000 ("Date of Issuance").

2. EXERCISE.

(a) MANNER OF EXERCISE. During the Exercise Period, this Warrant may be exercised as to all or any lesser number of full shares of Common Stock covered hereby upon surrender of this Warrant, with the Exercise Form attached hereto as EXHIBIT A (the "Exercise Form") duly completed and executed, together with the full Exercise Price (as defined below) for each share of Common Stock as to which this Warrant is exercised, at the office of the Company, at the address, telephone number and fax number set forth on the signature page hereof, or at such other office or agency as the Company may designate in writing, by overnight mail, with an advance copy of the Exercise Form sent to the Company and its Transfer Agent by facsimile (such surrender and payment of the Exercise Price hereinafter called the "Exercise of this Warrant").

(b) DATE OF EXERCISE. The "Date of Exercise" of the Warrant shall be defined as the date that the advance copy of the completed and executed Exercise Form is sent by facsimile to the Company, provided that the original Warrant and Exercise Form are received by the Company as soon as practicable thereafter. Alternatively, the Date of Exercise shall be defined as the date the original Exercise Form is received by the Company, if Holder has not sent advance notice by facsimile.

(c) CANCELLATION OF WARRANT. This Warrant shall be canceled upon the Exercise of this Warrant, and, as soon as practical after the Date of Exercise, Holder shall be entitled to receive Common Stock for the number of shares purchased upon such Exercise of this Warrant, and if this Warrant is not exercised in full, Holder shall be entitled to receive a new Warrant (containing terms identical to this Warrant) representing any unexercised portion of this Warrant in addition to such Common Stock.

(d) HOLDER OF RECORD. Each person in whose name any Warrant for shares of Common Stock is issued shall, for all purposes, be deemed to be the Holder of record of such shares on the Date of Exercise of this Warrant, irrespective of the date of delivery of the Common Stock purchased upon the Exercise of this Warrant. Nothing in this Warrant shall be construed as conferring upon Holder any rights as a stockholder of the Company.

3. PAYMENT OF WARRANT EXERCISE PRICE.

The Exercise Price shall equal \$.25 per share ("Exercise Price").

Payment of the Exercise Price may be made by either of the following, or a combination thereof, at the election of Holder:

(i) CASH EXERCISE: cash, bank or cashiers check or wire transfer; or

(ii) CASHLESS EXERCISE: The Holder, at its option, may exercise this Warrant in a cashless exercise transaction under this subsection (ii) if and only if, on the Date of Exercise, there is not then in effect a current registration statement that covers the resale of the shares of Common Stock to be issued upon exercise of this Warrant. In order to effect a Cashless Exercise, the Holder shall, surrender this Warrant at the principal office of the Company together with notice of cashless election, in which event the Company shall

issue Holder a number of shares of Common Stock computed using the following formula:

$$X = Y (A-B)/A$$

where: X = the number of shares of Common Stock to be issued to Holder.

Y = the number of shares of Common Stock for which this Warrant is being exercised.

A = the Market Price of one (1) share of Common Stock (for purposes of this Section 3(ii), the "Market Price" shall be defined as the average closing price of the Common Stock for the five (5) trading days prior to the Date of Exercise of this Warrant (the "Average Closing Price"), as reported by the National Association of Securities Dealers Automated Quotation System ("Nasdaq") Small Cap Market, or if the Common Stock is not traded on the Nasdaq Small Cap Market, the Average Closing Price in any other over-the-counter market; provided, however, that if the Common Stock is listed on a stock exchange, the Market Price shall be the Average Closing Price on such exchange for the five (5) trading days prior to the date of exercise of the Warrants. If the Common Stock is/was not traded during the five (5) trading days prior to the Date of Exercise, then the closing price for the last publicly traded day shall be deemed to be the closing price for any and all (if applicable) days during such five (5) trading day period.

B = the Exercise Price.

For purposes of Rule 144 and sub-section (d)(3)(ii) thereof, it is intended, understood and acknowledged that the Common Stock issuable upon exercise of this Warrant in a cashless exercise transaction shall be deemed to have been acquired at the time this Warrant was issued. Moreover, it is intended, understood and acknowledged that the holding period for the Common Stock issuable upon exercise of this Warrant in a cashless exercise transaction shall be deemed to have commenced on the date this Warrant was issued.

4. TRANSFER AND REGISTRATION.

(a) TRANSFER RIGHTS. Subject to the provisions of Section 8 of this Warrant, this Warrant may be transferred on the books of the Company, in whole or in part, in person or by attorney, upon surrender of this Warrant properly completed and endorsed. This Warrant shall be canceled upon such surrender and, as soon as practicable thereafter, the person to whom such transfer is made shall be entitled to receive a new Warrant or Warrants as to the portion of this Warrant transferred, and Holder shall be entitled to receive a new Warrant as to the portion hereof retained.

(b) REGISTRABLE SECURITIES. The Common Stock issuable upon the exercise of this Warrant constitutes "Registrable Securities" under that certain Registration Rights Agreement dated on or about January 6, 2000 between the Company and certain investors and, accordingly, has the benefit of the registration rights pursuant to that agreement.

5. ANTI-DILUTION ADJUSTMENTS.

(a) STOCK DIVIDEND. If the Company shall at any time declare a dividend payable in shares of Common Stock, then Holder, upon Exercise of this Warrant after the record date for the determination of holders of Common Stock entitled to receive such dividend, shall be entitled to receive upon Exercise of this Warrant, in addition to the number of shares of Common Stock as to which this Warrant is exercised, such additional shares of Common Stock as such Holder would have received had this Warrant been exercised immediately prior to such record date and the Exercise Price will be proportionately adjusted.

(b) RECAPITALIZATION OR RECLASSIFICATION. If the Company shall at any time effect a recapitalization, reclassification or other similar transaction of such character that the shares of Common Stock shall be changed into or become exchangeable for a larger or smaller number of shares, then upon the effective date thereof, the number of shares of Common Stock which Holder shall be entitled to purchase upon Exercise of this Warrant shall be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of shares of Common Stock by reason of such recapitalization, reclassification or similar transaction, and the Exercise Price shall be, in the case of an increase in the number of shares, proportionally decreased and, in the case of decrease in the number of shares, proportionally increased. The Company shall give Holder the same notice it provides to holders of Common Stock of any transaction described in this Section 5(b).

(c) DISTRIBUTIONS. If the Company shall at any time distribute for no consideration to holders of Common Stock cash, evidences of indebtedness or other securities or assets (other than cash dividends or distributions payable out of earned surplus or net profits for the current or preceding year) then, in any such case, Holder shall be entitled to receive, upon Exercise of this Warrant, with respect to each share of Common Stock issuable upon such exercise, the amount of cash or evidences of indebtedness or other securities or assets which Holder would have been entitled to receive with respect to each such share of Common Stock as a result of the happening of such event had this Warrant been exercised immediately prior to the record date or other date fixing shareholders to be affected by such event (the "Determination Date") or, in lieu thereof, if the Board of Directors of the Company should so determine at the time of such distribution, a reduced Exercise Price determined by multiplying the Exercise Price on the Determination Date by a fraction, the numerator of which is the result of such Exercise Price reduced by the value of such distribution applicable to one share of Common Stock (such value to be determined by the Board of Directors of the Company in its discretion) and the denominator of which is such Exercise Price.

(d) NOTICE OF CONSOLIDATION OR MERGER. In the event of a merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock shall be changed into the same or a different number of shares of the same or another class or classes of stock or securities or other assets of the Company or another entity or there is a sale of all or substantially all the Company's assets (a "Corporate Change"), then this Warrant shall be exercisable into such class and type of securities or other assets as Holder would have received had Holder exercised this Warrant immediately prior to such Corporate Change; provided, however, that Company may not affect any Corporate Change unless it first shall have given thirty (30) days notice to Holder hereof of any Corporate Change.

(e) EXERCISE PRICE ADJUSTED. As used in this Warrant, the term "Exercise Price" shall mean the purchase price per share specified in Section 3 of this Warrant, until the occurrence of an event stated in subsection (a), (b) or (c) of this Section 5, and thereafter shall mean said price as adjusted from time to time in accordance with the provisions of said subsection. No such adjustment under this Section 5 shall be made unless such adjustment would change the Exercise Price at the time by \$.01 or more; provided, however, that all adjustments not so made shall be deferred and made when the aggregate thereof would change the Exercise Price at the time by \$.01 or more. No adjustment made pursuant to any provision of this Section 5 shall have the net effect of increasing the Exercise Price. The number of shares of Common Stock subject hereto shall increase proportionately with each decrease in the Exercise Price.

(f) ADJUSTMENTS: ADDITIONAL SHARES, SECURITIES OR ASSETS. In the event that at any time, as a result of an adjustment made pursuant to this Section 5, Holder shall, upon Exercise of this Warrant, become entitled to receive shares and/or other securities or assets (other than Common Stock) then, wherever appropriate, all references herein to shares of Common Stock shall be deemed to refer to and include such shares and/or other securities or assets; and thereafter the number of such shares and/or other securities or assets shall be subject to adjustment from time to time in a manner and upon terms as nearly equivalent as practicable to the provisions of this Section 5.

6. FRACTIONAL INTERESTS.

No fractional shares or scrip representing fractional shares shall be issuable upon the Exercise of this Warrant, but on Exercise of this Warrant, Holder may purchase only a whole number of shares of Common Stock. If, on Exercise of this Warrant, Holder would be entitled to a fractional share of Common Stock or a right to acquire a fractional share of Common Stock, such fractional share shall be disregarded and the number of shares of Common Stock issuable upon exercise shall be the next higher number of shares.

7. RESERVATION OF SHARES.

The Company shall at all times reserve for issuance such number of authorized and unissued shares of Common Stock (or other securities substituted therefor as herein above provided) as shall be sufficient for the Exercise of this Warrant and payment of the Exercise Price. The Company covenants and agrees that upon the Exercise of this Warrant, all shares of Common Stock issuable upon such exercise shall be duly and validly issued, fully paid, nonassessable and not subject to preemptive rights, rights of first refusal or similar rights of any person or entity.

8. RESTRICTIONS ON TRANSFER.

(a) REGISTRATION OR EXEMPTION REQUIRED. This Warrant has been issued in a transaction exempt from the registration requirements of the Act by virtue of Regulation D and exempt from state registration under applicable state laws. The Warrant and the Common Stock issuable upon the Exercise of this Warrant may not be pledged, transferred, sold or assigned except pursuant to an effective registration statement or an exemption to the registration requirements of the Act and applicable state laws.

(b) ASSIGNMENT. If Holder can provide the Company with reasonably satisfactory evidence that the conditions of (a) above regarding registration or exemption have been satisfied, Holder may sell, transfer, assign, pledge or otherwise dispose of this Warrant, in whole or in part. Holder shall deliver a written notice to Company, substantially in the form of the Assignment attached hereto as EXHIBIT B, indicating the person or persons to whom the Warrant shall be assigned and the respective number of warrants to be assigned to each assignee. The Company shall effect the assignment within ten (10) days, and shall deliver to the assignee(s) designated by Holder a Warrant or Warrants of like tenor and terms for the appropriate number of shares.

9. BENEFITS OF THIS WARRANT.

Nothing in this Warrant shall be construed to confer upon any person other than the Company and Holder any legal or equitable right, remedy or claim under this Warrant and this Warrant shall be for the sole and exclusive benefit of the Company and Holder.

10. APPLICABLE LAW.

This Warrant is issued under and shall for all purposes be governed by and construed in accordance with the laws of the state of Delaware, without giving effect to conflict of law provisions thereof.

11. LOSS OF WARRANT.

Upon receipt by the Company of evidence of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Company, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date.

12. NOTICE OR DEMANDS.

Notices or demands pursuant to this Warrant to be given or made by Holder to or on the Company shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid, and addressed, until another address is designated in writing by the Company, to the address, telephone number and facsimile number set forth on the signature page hereof. Notices or demands pursuant to this Warrant to be given or made by the Company to or on Holder shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid, and addressed, to the address of Holder set forth in the Company's records, until another address is designated in writing by Holder.

IN WITNESS WHEREOF, the undersigned has executed this Warrant as of the ___th day of January 2000.

TECHNICLONE CORPORATION
By:

14282 Franklin Avenue
Tustin, CA 92780-7017
Phone: (714) 838-6000
Fax: (714) 838-9433

EXHIBIT A

EXERCISE FORM FOR WARRANT

TO: TECHNICLONE CORPORATION

The undersigned hereby irrevocably exercises the right to purchase _____ of the shares of Common Stock (the "Common Stock") of TECHNICLONE CORPORATION, a Delaware corporation (the "Company"), evidenced by the attached warrant (the "Warrant"), and herewith makes payment of the exercise price with respect to such shares in full, all in accordance with the conditions and provisions of said Warrant.

1. The undersigned agrees not to offer, sell, transfer or otherwise dispose of any of the Common Stock obtained on exercise of the Warrant, except in accordance with the provisions of Section 8(a) of the Warrant.

2. The undersigned requests that stock certificates for such shares be issued free of any restrictive legend, if appropriate, and a warrant representing any unexercised portion hereof be issued, pursuant to the Warrant in the name of the undersigned and delivered to the undersigned at the address set forth below:

Dated: _____

Signature

Print Name

Address

NOTICE

The signature to the foregoing Exercise Form must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT B

ASSIGNMENT

(To be executed by the registered holder
desiring to transfer the Warrant)

FOR VALUE RECEIVED, the undersigned holder of the attached warrant (the "Warrant") hereby sells, assigns and transfers unto the person or persons below named the right to purchase _____ shares of the Common Stock of TECHNICLONE CORPORATION, evidenced by the attached Warrant and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Warrant on the books of the Company, with full power of substitution in the premises.

Dated: _____

Signature

Fill in for new registration of Warrant:

Name

Address

Please print name and address of assignee
(including zip code number)

NOTICE

The signature to the foregoing Assignment must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF OR EXERCISED UNLESS (i) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (ii) AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS IS AVAILABLE IN CONNECTION WITH SUCH OFFER, SALE OR TRANSFER.

AN INVESTMENT IN THESE SECURITIES INVOLVES A HIGH DEGREE OF RISK. HOLDERS MUST RELY ON THEIR OWN ANALYSIS OF THE INVESTMENT AND ASSESSMENT OF THE RISKS INVOLVED.

Warrant to Purchase

750,000 shares

- - - - -

WARRANT TO PURCHASE COMMON STOCK
OF
TECHNICLONE CORPORATION

THIS CERTIFIES that SWARTZ PRIVATE EQUITY, LLC or any subsequent holder hereof pursuant to Section 8 hereof ("Holder"), has the right to purchase from TECHNICLONE CORPORATION, a Delaware corporation (the "Company"), up to 750,000 fully paid and nonassessable shares of the Company's common stock, \$.01 par value per share ("Common Stock"), subject to adjustment as provided herein, at a price equal to the Exercise Price as defined in Section 3 below, at any time beginning on the Date of Issuance (defined below) and ending at 5:00 p.m., New York, New York time the date that is five (5) years after the Date of Issuance (the "Exercise Period").

Holder agrees with the Company that this Warrant to Purchase Common Stock of TECHNICLONE CORPORATION (this "Warrant") is issued and all rights hereunder shall be held subject to all of the conditions, limitations and provisions set forth herein.

1. DATE OF ISSUANCE AND TERM.

This Warrant shall be deemed to be issued on November 19, 1999 ("Date of Issuance"). The term of this Warrant is five (5) years from the Date of Issuance.

2. EXERCISE.

(a) MANNER OF EXERCISE. During the Exercise Period, this Warrant may be exercised as to all or any lesser number of full shares of Common Stock covered hereby (the "Warrant Shares") upon surrender of this Warrant, with the Exercise Form attached hereto as EXHIBIT A (the "Exercise Form") duly completed and executed, together with the full Exercise Price (as defined below) for each share of Common Stock as to which this Warrant is exercised, at the office of the Company, 14282 Franklin Avenue, Tustin, CA, 92780, Attention: John N.

Bonfiglio, Interim President, Telephone No. (714) 508-6000, Telecopy No. (714) 838-4094, or at such other office or agency as the Company may designate in writing, by overnight mail, with an advance copy of the Exercise Form sent to the Company and its Transfer Agent by facsimile (such surrender and payment of the Exercise Price hereinafter called the "Exercise of this Warrant").

(b) DATE OF EXERCISE. The "Date of Exercise" of the Warrant shall be defined as the date that the advance copy of the completed and executed Exercise Form is sent by facsimile to the Company, provided that the original Warrant and Exercise Form are received by the Company as soon as practicable thereafter. Alternatively, the Date of Exercise shall be defined as the date the original Exercise Form is received by the Company, if Holder has not sent advance notice by facsimile.

(c) CANCELLATION OF WARRANT. This Warrant shall be canceled upon the Exercise of this Warrant, and, as soon as practical after the Date of Exercise, Holder shall be entitled to receive Common Stock for the number of shares purchased upon such Exercise of this Warrant, and if this Warrant is not exercised in full, Holder shall be entitled to receive a new Warrant (containing terms identical to this Warrant) representing any unexercised portion of this Warrant in addition to such Common Stock.

(d) HOLDER OF RECORD. Each person in whose name any Warrant for shares of Common Stock is issued shall, for all purposes, be deemed to be the Holder of record of such shares on the Date of Exercise of this Warrant, irrespective of the date of delivery of the Common Stock purchased upon the Exercise of this Warrant. Nothing in this Warrant shall be construed as conferring upon Holder any rights as a stockholder of the Company.

3. PAYMENT OF WARRANT EXERCISE PRICE.

The Exercise Price per share ("Exercise Price") shall initially equal \$0.46875 (the "Initial Exercise Price"). If the average Closing Bid Price of the Company's Common Stock for the five (5) trading days immediately preceding the date, if any, that the Company and Swartz Private Equity, LLC enter into an Investment Agreement ("Investment Agreement") pursuant to the Letter of Agreement between the Company and Swartz Private Equity, LLC dated on or about November 5, 1999 (the "Closing Market Price") is less than the Initial Exercise Price, the Exercise Price shall be reset to equal the Closing Market Price, or, if the Date of Exercise is more than six (6) months after the Date of Issuance, the Exercise Price shall be reset to equal the lesser of (i) the Exercise Price

then in effect, or (ii) the "Lowest Reset Price," as that term is defined below. The Company shall calculate a "Reset Price" on each six-month anniversary date of the Date of Issuance which shall equal one hundred percent (100%) of the average Closing Bid Price of the Company's Common Stock for the five (5) trading days ending on such six-month anniversary date of the Date of Issuance. The "Lowest Reset Price" shall equal the lowest Reset Price determined on any six-month anniversary date of the Date of Issuance preceding the Date of Exercise, taking into account, as appropriate, any adjustments made pursuant to Section 5 hereof.

Payment of the Exercise Price may be made by either of the following, or a combination thereof, at the election of Holder:

(i) CASH EXERCISE: cash, bank or cashiers check or wire transfer; or

(ii) CASHLESS EXERCISE: The Holder, at its option, may exercise this Warrant in a cashless exercise transaction under this subsection (ii) if and only if, on the Date of Exercise, there is not then in effect a current registration statement that covers the resale of the shares of Common Stock to be issued upon exercise of this Warrant . In order to effect a Cashless Exercise, the Holder shall surrender this Warrant at the principal office of the Company together with notice of cashless election, in which event the Company shall issue Holder a number of shares of Common Stock computed using the following formula:

$$X = Y (A-B)/A$$

where: X = the number of shares of Common Stock to be issued to Holder.

Y = the number of shares of Common Stock for which this Warrant is being exercised.

A = the Market Price of one (1) share of Common Stock (for purposes of this Section 3(ii), the "Market Price" shall be defined as the average Closing Bid Price of the Common Stock for the five (5) trading days prior to the Date of Exercise of this Warrant (the "Average Closing Price"), as reported by the O.T.C. Bulletin Board, National Association of Securities Dealers Automated Quotation System ("Nasdaq") Small Cap Market, or if the Common Stock is not traded on the Nasdaq Small Cap Market, the Average Closing Price in any other over-the-counter market; provided, however, that if the Common Stock is listed on a stock exchange, the Market Price shall be the Average Closing Price on such exchange for the five (5) trading days prior to the date of exercise of the Warrants. If the Common Stock is/was not traded during the five (5) trading days prior to the Date of Exercise, then the closing price for the last publicly traded day shall be deemed to be the closing price for any and all (if applicable) days during such five (5) trading day period.

B = the Exercise Price.

For purposes hereof, the term "Closing Bid Price" shall mean the closing bid price of the Company's common stock on the O.T.C. Bulletin Board, the National Market System ("NMS"), the New York Stock Exchange, the Nasdaq Small Cap Market, or if no longer traded on the O.T.C. Bulletin Board, the NMS, the New York Stock Exchange, the Nasdaq Small Cap Market, the "Closing Bid Price" shall equal the closing price on the principal national securities exchange or the over-the-counter system on which the Common Stock is so traded and, if not available, the mean of the high and low prices on the principal national securities exchange on which the Common Stock is so traded.

For purposes of Rule 144 and sub-section (d)(3)(ii) thereof, it is intended, understood and acknowledged that the Common Stock issuable upon exercise of this Warrant in a cashless exercise transaction shall be deemed to have been acquired at the time this Warrant was issued. Moreover, it is intended, understood and acknowledged that the holding period for the Common Stock issuable upon exercise of this Warrant in a cashless exercise transaction shall be deemed to have commenced on the date this Warrant was issued.

4. TRANSFER AND REGISTRATION.

(a) TRANSFER RIGHTS. Subject to the provisions of Section 8 of this Warrant, this Warrant may be transferred on the books of the Company, in whole or in part, in person or by attorney, upon surrender of this Warrant properly completed and endorsed. This Warrant shall be canceled upon such surrender and, as soon as practicable thereafter, the person to whom such transfer is made shall be entitled to receive a new Warrant or Warrants as to the portion of this Warrant transferred, and Holder shall be entitled to receive a new Warrant as to the portion hereof retained.

(b) REGISTRABLE SECURITIES. In addition to any other registration rights of the Holder, if the Common Stock issuable upon exercise of this Warrant is not registered for resale at the time the Company proposes to register (including for this purpose a registration effected by the Company for stockholders other than the Holders) any of its Common Stock under the Act (other than a registration relating solely for the sale of securities to participants in a Company stock plan or a registration on Form S-4 promulgated under the Act or any successor or similar form registering stock issuable upon a reclassification, upon a business combination involving an exchange of securities or upon an exchange offer for securities of the issuer or another entity)(a "Piggyback Registration Statement"), the Company shall cause to be included in such Piggyback Registration Statement ("Piggyback Registration") all of the Common Stock issuable upon the exercise of this Warrant ("Registrable Securities") to the extent such inclusion does not violate the registration rights of any other securityholder of the Company granted prior to the date hereof. Nothing herein shall prevent the Company from withdrawing or abandoning the Piggyback Registration Statement prior to its effectiveness.

(c) LIMITATION ON OBLIGATIONS TO REGISTER UNDER A PIGGYBACK REGISTRATION. In the case of a Piggyback Registration pursuant to an underwritten public offering by the Company, if the managing underwriter determines and advises in writing that the inclusion in the registration statement of all Registrable Securities proposed to be included would interfere with the successful marketing of the securities proposed to be registered by the Company, then the number of such Registrable Securities to be included in the Piggyback Registration Statement, to the extent such Registrable Securities may be included in such Piggyback Registration Statement, shall be allocated among all Holders who had requested Piggyback Registration pursuant to the terms hereof, in the proportion that the number of Registrable Securities which each such Holder seeks to register bears to the total number of Registrable Securities sought to be included by all Holders. If required by the managing underwriter of such an underwritten public offering, the Holders shall enter into a reasonable agreement limiting the number of Registrable Securities to be included in such Piggyback Registration Statement and the terms, if any, regarding the future sale of such Registrable Securities.

5. ANTI-DILUTION ADJUSTMENTS.

(a) STOCK DIVIDEND. If the Company shall at any time declare a dividend payable in shares of Common Stock, then Holder, upon Exercise of this Warrant after the record date for the determination of holders of Common Stock entitled to receive such dividend, shall be entitled to receive upon Exercise of this Warrant, in addition to the number of shares of Common Stock as to which this Warrant is exercised, such additional shares of Common Stock as such Holder would have received had this Warrant been exercised immediately prior to such record date and the Exercise Price will be proportionately adjusted.

(b) RECAPITALIZATION OR RECLASSIFICATION.

(i) STOCK SPLIT. If the Company shall at any time effect a recapitalization, reclassification or other similar transaction of such character that the shares of Common Stock shall be changed into or become exchangeable for a LARGER number of shares (a "Stock Split"), then upon the effective date thereof, the number of shares of Common Stock which Holder shall be entitled to purchase upon Exercise of this Warrant shall be increased in direct proportion to the increase in the number of shares of Common Stock by reason of such recapitalization, reclassification or similar transaction, and the Exercise Price shall be proportionally decreased.

(ii) REVERSE STOCK SPLIT. If the Company shall at any time effect a recapitalization, reclassification or other similar transaction of such character that the shares of Common Stock shall be changed into or become exchangeable for a SMALLER number of shares (a "Reverse Stock Split"), then upon the effective date thereof, the number of shares of Common Stock which Holder shall be entitled to purchase upon Exercise of this Warrant shall be decreased by reason of such recapitalization, reclassification or similar transaction, provided, however that the Exercise Price shall be proportionally increased. The Company shall give Holder the same notice it provides to holders of Common Stock of any transaction described in this Section 5(b).

(c) DISTRIBUTIONS. If the Company shall at any time distribute for no consideration to holders of Common Stock cash, evidences of indebtedness or other securities or assets (other than cash dividends or distributions payable out of earned surplus or net profits for the current or preceding years) then, in any such case, Holder shall be entitled to receive, upon Exercise of this Warrant, with respect to each share of Common Stock issuable upon such exercise, the amount of cash or evidences of indebtedness or other securities or assets which Holder would have been entitled to receive with respect to each such share of Common Stock as a result of the happening of such event had this Warrant been exercised immediately prior to the record date or other date fixing shareholders to be affected by such event (the "Determination Date") or, in lieu thereof, if the Board of Directors of the Company should so determine at the time of such distribution, a reduced Exercise Price determined by multiplying the Exercise Price on the Determination Date by a fraction, the numerator of which is the result of such Exercise Price reduced by the value of such distribution applicable to one share of Common Stock (such value to be determined by the Board of Directors of the Company in its discretion) and the denominator of which is such Exercise Price.

(d) NOTICE OF CONSOLIDATION OR MERGER. In the event of a merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock shall be changed into the same or a different number of shares of the same or another class or classes of stock or securities or other assets of the Company or another entity or there is a sale of all or substantially all the Company's assets (a "Corporate Change"), then this Warrant shall be exercisable into such class and type of securities or other assets as Holder would have received had Holder exercised this Warrant immediately prior to such Corporate Change; provided, however, that Company may not affect any Corporate Change unless it first shall have given thirty (30) days notice to Holder hereof of any Corporate Change.

(e) EXERCISE PRICE ADJUSTED. As used in this Warrant, the term "Exercise Price" shall mean the purchase price per share specified in Section 3 of this Warrant, until the occurrence of an event stated in subsection (a), (b) or (c) of this Section 5, and thereafter shall mean said price as adjusted from time to time in accordance with the provisions of said subsection. No such adjustment under this Section 5 shall be made unless such adjustment would change the Exercise Price at the time by \$.01 or more; provided, however, that all adjustments not so made shall be deferred and made when the aggregate thereof would change the Exercise Price at the time by \$.01 or more.

(f) ADJUSTMENTS: ADDITIONAL SHARES, SECURITIES OR ASSETS. In the event that at any time, as a result of an adjustment made pursuant to this Section 5, Holder shall, upon Exercise of this Warrant, become entitled to receive shares and/or other securities or assets (other than Common Stock) then, wherever appropriate, all references herein to shares of Common Stock shall be deemed to refer to and include such shares and/or other securities or assets; and thereafter the number of such shares and/or other securities or assets shall be subject to adjustment from time to time in a manner and upon terms as nearly equivalent as practicable to the provisions of this Section 5.

6. FRACTIONAL INTERESTS.

No fractional shares or scrip representing fractional shares shall be issuable upon the Exercise of this Warrant, but on Exercise of this Warrant, Holder may purchase only a whole number of shares of Common Stock. If, on Exercise of this Warrant, Holder would be entitled to a fractional share of Common Stock or a right to acquire a fractional share of Common Stock, such fractional share shall be disregarded and the number of shares of Common Stock issuable upon exercise shall be the next higher number of shares.

7. RESERVATION OF SHARES.

The Company shall at all times reserve for issuance such number of authorized and unissued shares of Common Stock (or other securities substituted therefor as herein above provided) as shall be sufficient for the Exercise of this Warrant and payment of the Exercise Price. The Company covenants and agrees that upon the Exercise of this Warrant, all shares of Common Stock issuable upon such exercise shall be duly and validly issued, fully paid, nonassessable and not subject to preemptive rights, rights of first refusal or similar rights of any person or entity.

8. RESTRICTIONS ON TRANSFER.

(a) REGISTRATION OR EXEMPTION REQUIRED. This Warrant has been issued in a transaction exempt from the registration requirements of the Act by virtue of Regulation D and exempt from state registration under applicable state laws. The Warrant and the Common Stock issuable upon the Exercise of this Warrant may not be pledged, transferred, sold or assigned except pursuant to an effective registration statement or unless the Company has received an opinion from the Company's counsel to the effect that such registration is not required, or the Holder has furnished to the Company an opinion of the Holder's counsel, which counsel shall be reasonably satisfactory to the Company, to the effect that such registration is not required; the transfer complies with any applicable state securities laws; and, if no registration covering the resale of the Warrant Shares is effective at the time the Warrant Shares are issued, the Holder consents to a legend being placed on certificates for the Warrant Shares stating that the securities have not been registered under the Securities Act and referring to such restrictions on transferability and sale.

(b) ASSIGNMENT. If Holder can provide the Company with reasonably satisfactory evidence that the conditions of (a) above regarding registration or exemption have been satisfied, Holder may sell, transfer, assign, pledge or otherwise dispose of this Warrant, in whole or in part. Holder shall deliver a written notice to Company, substantially in the form of the Assignment attached hereto as EXHIBIT B, indicating the person or persons to whom the Warrant shall be assigned and the respective number of warrants to be assigned to each assignee. The Company shall effect the assignment within ten (10) days, and shall deliver to the assignee(s) designated by Holder a warrant or warrants of like tenor and terms for the appropriate number of shares.

9. BENEFITS OF THIS WARRANT.

Nothing in this Warrant shall be construed to confer upon any person other than the Company and Holder any legal or equitable right, remedy or claim under this Warrant and this Warrant shall be for the sole and exclusive benefit of the Company and Holder.

10. APPLICABLE LAW.

This Warrant is issued under and shall for all purposes be governed by and construed in accordance with the laws of the state of Delaware, without giving effect to conflict of law provisions thereof.

11. LOSS OF WARRANT.

Upon receipt by the Company of evidence of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Company, and upon surrender and cancellation of this Warrant, if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date.

12. NOTICE OR DEMANDS.

Notices or demands pursuant to this Warrant to be given or made by Holder to or on the Company shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid, and addressed, until another address is designated in writing by the Company, 14282 Franklin Avenue, Tustin, CA, 92780, Attention: John N. Bonfiglio, Interim President, Telephone No. (714) 508-6000, Telecopy No. (714) 838-4094. Notices or demands pursuant to this Warrant to be given or made by the Company to or on Holder shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid, and addressed, to the address of Holder set forth in the Company's records, until another address is designated in writing by Holder.

IN WITNESS WHEREOF, the undersigned has executed this Warrant as of the 19TH day of November, 1999.

TECHNICLONE CORPORATION

By: /S/ JOHN N. BONFIGLIO

John N. Bonfiglio, Interim President

EXHIBIT A

EXERCISE FORM FOR WARRANT

TO: TECHNICLONE CORPORATION

The undersigned hereby irrevocably exercises the right to purchase _____ of the shares of Common Stock (the "Common Stock") of TECHNICLONE CORPORATION, a Delaware corporation (the "Company"), evidenced by the attached warrant (the "Warrant"), and herewith makes payment of the exercise price with respect to such shares in full, all in accordance with the conditions and provisions of said Warrant.

1. The undersigned agrees not to offer, sell, transfer or otherwise dispose of any of the Common Stock obtained on exercise of the Warrant, except in accordance with the provisions of Section 8(a) of the Warrant.
2. The undersigned requests that stock certificates for such shares be issued free of any restrictive legend, if appropriate, and a warrant representing any unexercised portion hereof be issued, pursuant to the Warrant in the name of the undersigned and delivered to the undersigned at the address set forth below:

Dated: _____

Signature

Print Name

Address

NOTICE

The signature to the foregoing Exercise Form must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT B

ASSIGNMENT

(To be executed by the registered holder
desiring to transfer the Warrant)

FOR VALUE RECEIVED, the undersigned holder of the attached warrant (the "Warrant") hereby sells, assigns and transfers unto the person or persons below named the right to purchase _____ shares of the Common Stock of TECHNICLONE CORPORATION, evidenced by the attached Warrant and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Warrant on the books of the Company, with full power of substitution in the premises.

Dated: _____
Signature

Fill in for new registration of Warrant:

Name

Address

Please print name and address of assignee
(including zip code number)

NOTICE

The signature to the foregoing Assignment must correspond to the name as written upon the face of the attached Warrant in every particular, without alteration or enlargement or any change whatsoever.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM
10-Q FOR THE PERIOD ENDED 01/31/00.

0000704562
TECHNICLONE CORPORATION
1,000
U.S. DOLLARS

| | | |
|----------|-------------|---------|
| 9-MOS | | |
| | APR-30-2000 | |
| | MAY-01-1999 | |
| | JAN-31-2000 | |
| | 1,000 | 2,671 |
| | | 0 |
| | 490 | |
| | 363 | |
| | 49 | |
| | 3,155 | 3,192 |
| | 1,453 | |
| | 5,041 | |
| 6,783 | | 0 |
| | | 88 |
| 0 | | 0 |
| | | (5,246) |
| 5,041 | | 0 |
| | 278 | 0 |
| | 11,449 | |
| | 0 | |
| | 0 | |
| | 279 | |
| | (11,450) | |
| | | 0 |
| (11,450) | | 0 |
| | 0 | |
| | 0 | |
| | | 0 |
| | (11,450) | |
| | (0.15) | |
| | (0.15) | |