SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED APRIL 30, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from _____ to _____

Commission file number 0-17085

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

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

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. YES X NO
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant was approximately $98,114,000 as of July 15, 1999, based upon a closing price of $1.375 per share. Also, excludes 5,014,142 shares of Common Stock held by executive officers, directors, and shareholders whose ownership exceeds 5% of the Common Stock outstanding as of July 15, 1999.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

76,369,778 shares of Common Stock
as of July 15, 1999

DOCUMENTS INCORPORATED BY REFERENCE.

Part III of the Form 10-K is incorporated by reference from the Registrant's Definitive Proxy Statement for its 1999 Annual Shareholders' Meeting.

TECHNICLONE CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED APRIL 30, 1999

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As used in this Form 10-K, the terms "we", "us", "our" and "Company" refers to Techniclone Corporation, Techniclone International Corporation, its former subsidiary, Cancer Biologics Incorporated ("CBI"), which was merged into the Company on July 26, 1994 and its wholly-owned subsidiary Peregrine Pharmaceuticals, Inc. ("Peregrine"), a Delaware corporation, which was acquired on April 24, 1997.

FORWARD-LOOKING STATEMENTS

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

RISK FACTORS

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

At April 30, 1999, we had $2,385,000 in cash and cash equivalents. We have expended, and will continue to expend, substantial funds on the development of our product candidates and for clinical trials. As a result, we have had negative cash flows from operations since inception and expect the negative cash flows from operations to continue for the foreseeable future. We currently have commitments to expend additional funds for antibody and radioactive isotope combination services, clinical trials, product development contracts, license contracts, severance arrangements, employment agreements, consulting agreements, and for the repurchase of marketing rights to certain product technology. We expect operating expenditures related to clinical trials to increase in the future as clinical trial activity increases and expansion for clinical trial production continues. We also expect that the monthly negative cash flows will continue. We will require additional funding to sustain our research and development efforts, provide for future clinical trials, expand our manufacturing and product commercialization capabilities, and continue our operations until we are able to generate sufficient revenue from the sale and/or licensing of our products.

During June 1998, we secured access to $20,000,000 under a Common Stock Equity Line (Equity Line) with two institutional investors. The Equity Line expires in June 2001. Under the terms of the Equity Line, we may, in our sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of our common stock for up to $20,000,000 upon the effective registration of the Put shares. Up to $2,250,000 of Puts, unless an increase is otherwise agreed to, can be made every quarter, subject to the satisfaction of certain conditions, including share issuance volume limitations identical to the share resale limitations set forth in Rule 144(e). In addition, if the closing bid price of our common stock falls below $1.00 during the ten trading days prior to the call date, then the amount of Puts will be limited to 15% of what would otherwise be available. If the closing bid price of the Company's common stock falls below $0.50 or if the Company is delisted from The Nasdaq SmallCap Market, the Company would have no access to funds under the Equity Line. As of July 15, 1999, we had $12,000,000 available for future Puts under the Equity Line.

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

Without obtaining additional financing or completing a licensing transaction, we believe that we have sufficient cash on hand as of July 15, 1999 and available pursuant to the Equity Line mentioned above, assuming we make an additional quarterly draw of $2,250,000, to meet our obligations on a timely basis through September, 1999.

WE HAVE HAD SIGNIFICANT LOSSES AND ANTICIPATE FUTURE LOSSES.

We have experienced significant losses since inception. As of April 30, 1999, our accumulated deficit was approximately $92,678,000. We expect to incur significant additional operating losses in the future and expect cumulative losses to increase substantially due to expanded research and development efforts, preclinical studies and clinical trials, and expansion of manufacturing and product commercialization capabilities. We also expect losses to fluctuate substantially from quarter to quarter. All of our products are currently in development, preclinical studies or clinical trials, and no revenues have been generated from commercial product sales. To achieve and sustain profitable operations, we must successfully develop and obtain regulatory approval for our products, either alone or with others, and must also manufacture, introduce, market and sell our products. The time frame necessary to achieve market success for our products is long and uncertain. We do not expect to generate significant product revenues for at least the next year. There can be no guarantee that we will ever generate product revenues sufficient to become profitable or to sustain profitability.

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

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

OUR PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY NOT BE SUCCESSFUL.

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

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

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

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

Our future success is significantly dependent on our ability to develop and test workable products for which we will seek approval from the United States Food and Drug Administration to market to certain defined patient groups. There is a significant risk as to the performance and commercial success of our technology and products. The products we are currently developing will require significant additional laboratory and clinical testing and investment over the foreseeable future. Our proposed products may not prove to be effective in clinical trials or they may cause harmful side effects during clinical trials. In addition, our product candidates, if approved, may prove impracticable to manufacture in commercial quantities at a reasonable cost and/or with acceptable quality. Any of these factors could negatively affect our financial position and results of operations.

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

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

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

In March 1999, we entered into a license agreement with Schering A.G., Germany for the worldwide development, marketing and distribution of our direct tumor targeting agent product candidate, Oncolym(R). Under the agreement, Schering A.G., Germany has assumed control of the clinical development program, regulatory approvals in the United States and all foreign countries and handling sales and marketing of this product candidate. Schering A.G., Germany may terminate the agreement under a number of circumstances as defined in the agreement, including thirty days' written notice given at any time prior to receiving regulatory approval. We are relying on Schering A.G., Germany to apply its expertise and know-how through the development, launch and sale of this product candidate. If Schering A.G., Germany decides to discontinue the development of this product candidate and terminates our license agreement, we may have to discontinue development, commercialization and clinical testing of this product candidate, which could negatively affect our operations and financial performance. In connection with our agreement with Schering A.G.,

Germany for Oncolym(R), Schering A.G., Germany has also agreed to discuss the development and commercialization of our Vascular Targeting Agent technology. If we enter into an agreement with Schering A.G., Germany with respect to our Vascular Targeting Agent technology, we will also rely on Schering A.G., Germany to apply its expertise and know-how through the development, launch and sale of our Vascular Targeting Agent product candidates. We cannot guarantee that Schering A.G., Germany will devote the resources necessary to successfully develop and/or market any product candidate.

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

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

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

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

EARTHQUAKES MAY DAMAGE OUR FACILITIES.

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

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

The Common Stock is presently traded on The Nasdaq SmallCap Market. To maintain inclusion on The Nasdaq SmallCap Market, we must continue to have either net tangible assets of at least $2,000,000, market capitalization of at least $35,000,000, or net income (in either our latest fiscal year or in two of our last three fiscal years) of at least $500,000. In addition, we must meet other requirements, including, but not limited to, having a public float of at least 500,000 shares and $1,000,000, a minimum closing bid price of $1.00 per share of Common Stock (without falling below this minimum bid price for a period of 30 consecutive trading days), at least two market makers and at least 300 stockholders, each holding at least 100 shares of Common Stock. At various times, we have failed to maintain a $1.00 minimum closing bid price for extended periods of time. As of April 30, 1999, we had failed to maintain a $1.00 minimum closing bid price for 19 consecutive trading days. From April 30, 1999 through July 15, 1999, our minimum closing bid price has fallen periodically below the minimum $1.00 closing bid price. If we fail to meet the minimum closing bid price of $1.00 for a period of 30 consecutive trading days, we will be notified by The Nasdaq Stock Market and will then have a period of 90 calendar days from such notification to achieve compliance with the applicable standard by meeting the minimum closing bid price requirement for at least 10 consecutive trading days during such 90 day period. We cannot guarantee that we will be able to maintain these requirements in the future. If we fail to meet any of The Nasdaq SmallCap Market listing requirements, the market value of the Common Stock could fall and holders of Common Stock would likely find it more difficult to dispose of the Common Stock. In addition, if the minimum closing bid price of the Common Stock is not at least $1.00 per share for 10 consecutive trading days before we make a call for proceeds under our Regulation D Common Stock Equity Line Subscription Agreement with two institutional investors or if the Common Stock ceases to be included on The Nasdaq SmallCap Market, we would have limited or no access to funds under the Regulation D Common Stock Equity Line Subscription Agreement. Moreover, should the market price of the Common Stock fall significantly, we would be required to issue to the two institutional investors a much greater number of shares than we would otherwise if the market price were stable or rising, which could cause the market price of the Common Stock to fall further and faster. In addition, we and broker-dealers effecting transactions in the Common Stock may become subject to additional disclosure and reporting requirements applicable to low-priced securities, which may reduce the level of trading activity in the secondary market for the Common Stock and limit or prevent investors from readily selling their shares of Common Stock.

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

As of July 15, 1999, we had approximately 76,370,000 shares of Common Stock outstanding. We are also obligated to issue up to an additional approximately 191,000 shares of Common Stock upon conversion of 91 outstanding shares of our 5% Adjustable Convertible Class C Preferred Stock and exercise of related warrants. Under our Regulation D Common Stock Equity Line Subscription Agreement with two institutional investors, we may issue up to an additional approximately 18,150,000 shares of Common Stock (assuming a market price of our common stock of $1.00 per share), at our sole option, from time to time, in exchange for an aggregate purchase price of $12,000,000, which includes warrants equal to 10% of the shares of Common Stock issued under such agreement, which must be exercised on a cashless basis only. In addition, an additional approximately 15,495,000 shares of Common Stock are issuable upon exercise of outstanding stock options and other warrants at an average exercise price of $1.81. The conversion rate applicable to our Class C Preferred Stock and the purchase price for the shares of Common Stock and warrants to be issued under the Regulation D Common Stock Equity Line Subscription Agreement are at a

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

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

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

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

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

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

Our success depends, in large part, on our ability to obtain or maintain a proprietary position in our products through patents, trade secrets and orphan drug designations. We have been granted several United States patents and have submitted several United States patent applications and numerous corresponding foreign patent applications, and have also obtained licenses to patents or patent applications owned by other entities. However, we cannot assure you that any of these patent applications will be granted or that our patent licensors will not terminate any of our patent licenses. We also cannot guarantee that any issued patents will provide competitive advantages for our products or that any issued patents will not be successfully challenged or circumvented by our competitors. Although we believe that our patents and our licensors' patents do not infringe on any third party's patents, we cannot be certain that we can avoid litigation involving such patents or other proprietary rights. Patent and proprietary rights litigation entails substantial legal and other costs, and we may not have the necessary financial resources to defend or prosecute our rights in connection with any litigation. Responding to, defending or bringing claims related to patents and other intellectual property rights may require our management to redirect our human and monetary resources to address these claims and may take years to resolve.

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

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

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

We will need to do substantial additional development and clinical testing prior to seeking any regulatory approval for commercialization of our product candidates. Testing, manufacturing, commercialization, advertising, promotion, export and marketing, among other things, of our proposed products are subject to extensive regulation by governmental authorities in the United States and other countries. The testing and approval process requires substantial time, effort and financial resources and we cannot guarantee that any approval will be granted on a timely basis, if at all. Companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in conducting advanced human clinical trials, even after obtaining promising

results in earlier trials. Furthermore, the United States Food and Drug Administration may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk. Even if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which it may be marketed. Accordingly, we may experience difficulties and delays in obtaining necessary governmental clearances and approvals to market our products, and we may not be able to obtain all necessary governmental clearances and approvals to market our products. At least initially, we intend, to the extent possible, to rely on licensees to obtain regulatory approval for marketing our products. The failure by us or our licensees to adequately demonstrate the safety and efficacy of any of our product candidates under development could delay, limit or prevent regulatory approval of the product, which may require us to reduce or discontinue development, commercialization or clinical testing of some or all of our product candidates.

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

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

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

The manufacturing and use of our products require the handling and disposal of the radioactive isotope I131. We currently rely on, and intend in the future to rely on, our current contract manufacturers to combine antibodies with radioactive I131 isotope in our products and to comply with various local, state and or national and international regulations regarding the handling and use of radioactive materials. Violation of these local, state, national or international regulations by these companies or a clinical trial site could significantly delay completion of the trials. Violations of safety regulations could occur with these manufacturers, so there is also a risk of accidental

contamination or injury. Accordingly, we could be held liable for any damages that result from an accident, contamination or injury caused by the handling and disposal of these materials, as well as for unexpected remedial costs and penalties that may result from any violation of applicable regulations. In addition, we may incur substantial costs to comply with environmental regulations. In the event of any noncompliance or accident, the supply of antibodies for use in clinical trials or commercial products could also be interrupted.

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

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

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

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

PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

Techniclone Corporation was incorporated in the State of Delaware on September 25, 1996. On March 24, 1997, Techniclone International Corporation, a California corporation (a predecessor company incorporated in June 1981), was merged with and into Techniclone Corporation. This merger was effected for the purpose of effecting a change in our state of incorporation from California to Delaware and making certain changes in our charter documents. Techniclone Corporation refers to Techniclone International Corporation, its former subsidiary, Cancer Biologics Incorporated ("CBI"), which was merged into the Company on July 26, 1994 and its wholly-owned subsidiary Peregrine Pharmaceuticals, Inc. ("Peregrine"), a Delaware corporation, which was acquired on April 24, 1997.

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

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

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

To date, the business has been financed primarily through the sale of equity securities and we have not received any significant revenues. However, on March 8, 1999, we entered into a license agreement with Schering A.G., Germany, a major multinational pharmaceutical company, with respect to the development, manufacture and marketing of our direct tumor targeting agent candidate, Oncolym(R). At the time we entered into the license agreement with Schering A.G., Germany, Oncolym(R) was in a Phase II/III clinical trial for the treatment of non-Hodgkin's B-cell Lymphoma. Under this license agreement with Schering A.G., Germany, Techniclone received an initial $3,000,000 payment and provisions for additional payments and reimbursements of up to $17 million, subject to the achievement of certain milestones, and royalties based on sales of Oncolym(R). As part of this Oncolym(R) agreement, Schering A.G., Germany and Techniclone are proceeding with negotiations concerning the terms of a possible licensing transaction on the Vascular Targeting Agents technology. We cannot be certain whether we will be successful in entering into a licensing transaction on the Vascular Targeting Agents technology on terms satisfactory to us, if at all.

Our principal executive offices are located at 14282 Franklin Avenue, Tustin, California 92780-7017 and our telephone number is (714) 508-6000.

BACKGROUND OF CANCER AND CONVENTIONAL TREATMENTS

Before we discuss our technologies and business in more detail, we have gathered the following information derived primarily from data provided by the American Cancer Society, to better assist you in understanding cancer and conventional treatments.

Cancer is a family of more than one hundred diseases that can be categorized into two broad groups: (i) solid tumor cancers, such as brain, lung, prostate, breast and colon cancers and (ii) non-solid tumor cancers such as hematological or blood-borne malignancies, including lymphomas and leukemia's. All cancers are generally characterized by a breakdown of the cellular mechanisms that regulate cell growth and cell death in normal tissues. In the United States alone, there are an estimated 8 million people alive who have a history of cancer. In addition, there was an estimated 1.2 million newly diagnosed cases of cancer in 1998, of which, approximately 1.1 million cases related to solid tumor cancers.

Of the estimated 1.1 million newly diagnosed solid tumor cases in 1998, the following represent the top five diagnosed solid tumor cancers:

Type of Cancer	Estimated New Cases	Estimated Deaths	5-Year Survival Rate - All Disease Stages
Prostate cancer	184,500	39,200	89%
Breast cancer	180,300	43,900	84%
Lung cancer	171,500	160,100	14%
Colorectal cancer	131,600	56,500	62%
Urinary bladder	54,400	12,500	81%

In addition, the most deadly forms of solid tumor cancers, (those with the lowest 5-year survival rates), were:

Type of Cancer	Estimated New Cases	Estimated Deaths	5-Year Survival Rate - All Disease Stages
Pancreatic cancer	29,000	28,900	4%
Liver cancer	13,900	13,000	6%
Esophagus cancer	36,300	35,700	11%
Lung cancer	171,500	161,100	14%
Malignant gliomas (brain cancer)	8,000	*	*

* High grade gliomas such as glioblastoma multiforme and anaplastic astrocytoma are among the most serious and aggressive types of malignant brain tumors, with median patient survival times ranging from 9 to 12 months from initial diagnosis.

Our initial Tumor Necrosis Therapy clinical treatment areas include three of the top five most deadly forms of solid tumors cancers (pancreatic, liver and brain), as well as prostate cancer, which has the highest estimated number of new cases. We are currently conducting a Phase II clinical trial for the treatment of malignant glioma (brain cancer) and have started an equivalent Phase I trial in Mexico City for the treatment of prostate cancer, liver cancer and pancreatic cancer. Although the information above represents estimated total new cases, our technologies, if approved, may only treat a small percentage of that population or certain indications within any one cancer group.

Brain cancer, which includes malignant glioma, grows rapidly, is debilitating and is almost always fatal. Within the brain, gliomas usually occur in the cerebral hemispheres but may also strike other areas, especially the optic nerve, the brain stem, and particularly among children, the cerebellum. Brain tumors are the second leading cause of cancer death in children under age 15 and in young adults up to age 34. Conventional treatments for brain tumors include surgery, radiation treatment and/or chemotherapy.

Prostate, liver and pancreatic cancers are devastating diseases with few treatment alternatives. These cancers, especially liver and pancreatic, are often inoperable, progress rapidly, and have poor prognosis for survival.

Non-solid, blood borne cancers are of the immune system and include Non-Hodgkin's B-cell lymphomas ("NHL"). NHL is usually characterized by multiple tumors at various sites throughout the body. There were more than 55,000 new cases expected to be diagnosed in 1998 in the United States.

OUR TECHNOLOGIES AND LICENSING ARRANGEMENTS

COLLATERAL (INDIRECT) TARGETING AGENTS FOR SOLID TUMOR THERAPY

We have three monoclonal antibody technologies for collateral (indirect) targeting of solid tumors for cancer therapy, Tumor Necrosis Therapy (TNT), Vascular Targeting Agents (VTAs), and Vasopermeation Enhancement Agents (VEAs).

TUMOR NECROSIS THERAPY (TNT). Tumor Necrosis Therapy represents an entirely new approach to cancer therapy. Instead of targeting living cancer cells, TNT targets dead and dying cells because such cells account for up to 50% of the mass of a tumor and are found primarily at the tumor core. TNT binds to DNA or DNA-associated proteins, such as histones, found within the nucleus of every cell. TNT is only able to bind to DNA in cells having porous nuclear and cellular membranes, since porosity is a property uniquely associated with dead and dying cells, thus DNA functions as a highly abundant but selective target. This DNA target is not believed to modulate as do targets associated with other tumor-specific cell surface antigens that are commonly used as targets with other antibody-based therapeutic modalities. Once concentrated in necrotic regions throughout the tumor, radiolabeled TNT can potentially bombard neighboring viable cancer cells with beta radiation for an extended period of time.

Each successive treatment with TNT potentially kills more cancer cells, thereby, increasing the necrotic area of the tumor. Thus, TNT potentially becomes more effective upon subsequent doses, contrary to conventional chemotherapy, which becomes less effective with subsequent doses due to increased drug resistance. Additionally, since Iodine 131(radioactive isotope) has a killing radius of 100-300 cell layers around the isotope, TNT might be effective in most areas of the tumor having small pockets of necrosis surrounded by viable tumor cells. In essence, TNT potentially destroys the tumor from the inside out. The TNT targeting mechanism could be the basis for a class of new products effective across a wide-range of solid tumor types, including brain, lung, colon, breast, liver, prostate and pancreatic cancers.

Our first TNT-based product is an investigational chimeric monoclonal antibody radiolabeled with the isotope, I131, trademarked Cotara(TM). During March 1998, we began enrolling patients into a Phase I study of TNT for the treatment of malignant glioma (brain cancer). The treatment protocol used an interstitial delivery system pioneered by the National Institutes of Health (NIH). The interstitial delivery system uses a low-pressure intra-tumoral catheter to deliver therapeutic agents directly to the tumor in a way which maximizes the uptake of the drug by the tumor tissue. The Phase I clinical investigation was designed to assess the safety and tolerability of interstitially administered TNT antibody. The protocol included the provision to enroll up to 24 patients with recurrent supratentorial anaplastic astrocytoma and glioblastoma multiforme ("GBM"). Patients could include those who are candidates for surgical treatment and patients for which surgical tumor debulking is not possible. We amended the Phase I trial protocol in July 1998 to allow for patient-specific dosing of TNT based on the volume of the specific brain tumor. Endpoints in the study included safety, determination of the maximum tolerated dose, pharmacokinetic profile, and radiation dosimetry. The Phase I clinical trial was conducted at The Medical University of South Carolina. The results of the Phase I clinical trial showed the drug to be relatively safe and reasonably well-tolerated under the dosing regimen.

In December 1998, we started a Phase II clinical trial for the treatment of malignant glioma. The Phase II trial is currently being conducted at The Medical University of South Carolina and the University of California at Los Angeles, with five additional clinical trial sites at various stages of contract negotiation. The protocol will include the treatment of up to 60 patients and will examine dosing and efficacy in newly diagnosed GBM, recurrent GBM and recurrent anaplastic astriacytoma. The study will include two doses per patient administered nine weeks apart. Doses will be divided and delivered through two catheters placed perpendicularly to maximize delivery to all planes of the tumor.

In addition, we have started treating patients in a Phase I equivalent clinical trial in Mexico City using TNT for treatment of prostate, liver and pancreatic cancers. The treatment will include up to 18 patients. TNT will be delivered to the tumor by intratumoral administration and by intravenous administration. The purpose of this study is to examine safety, dosimetry, and dosing in solid tumors. The clinical trial is partially being sponsored by a major multinational pharmaceutical company whose shares are traded on the New York Stock Exchange.

TNT LICENSING OBLIGATIONS. During February 1996, the Company entered into a joint venture agreement with Cambridge Antibody Technology, Inc. (CAT), an unrelated entity, which provides for the co-sponsorship of development and clinical testing of chimeric and human TNT antibodies. As part of the joint venture agreement, CAT maintained the responsibility to construct human TNT antibodies for future joint clinical development and testing. A human TNT antibody was completed by CAT in early 1998. The agreement also provides that equity in the joint venture and costs associated with the development of TNT-based products would be shared equally and the Company would retain exclusive world-wide manufacturing rights. In May 1998, the Company and CAT elected to discontinue the co-sponsorship of the development of the TNT antibodies and the Company assumed full responsibility to fund development and clinical trials of the TNT antibody. As a result of the modification in the joint venture agreement, royalties on future sales of products which use the TNT antibody have been decreased to be no more than 12.5%. The Company and CAT are currently in negotiations regarding modifications to the joint venture arrangement. The Company has not generated any revenues from its TNT technology.

The Company has additional licensing arrangements and is currently negotiating with certain third parties to acquire licenses needed to produce and commercialize chimeric and human antibodies, including the Company's TNT antibody. These licenses are generally available from the licensors to all interested parties. The terms of the licenses, obtained and as expected to be obtained, are not expected to significantly impact the cost structure or marketability of chimeric or human-based products.

VASCULAR TARGETING AGENTS (VTAS). Our VTA technology was acquired in April 1997 through the acquisition of Peregrine Pharmaceuticals, Inc. VTAs are molecules that target the blood vessels of tumors and act to kill solid tumors by causing a blood clot to form in these tumor blood vessels. After attaching to the endothelial cells which line the tumor blood vessels, the VTA induces a blood clot in the tumor blood vessels causing the flow of oxygen and nutrients to the tumor cells to cease. Without adequate oxygen and nutrients, the tumor dies.

VTAs act on the endothelial cells lining the blood vessels of tumors, not on the tumor cells themselves. This method of delivery is believed to be advantageous, when compared to the method of delivery of conventional cancer drugs, because VTAs are not required to penetrate the tumor directly to obtain a therapeutic response. On the other hand, conventional cancer drug agents must migrate out of the blood vessels and into the tumor tissue to be effective.

VTAs have the potential to be effective against a wide variety of solid tumors since every solid tumor in excess of two millimeters in size forms a vascular network to enable it to continue to grow. Tumor vasculature is believed to be consistent among various tumor types.

Additionally, a potential advantage of the VTA approach is that the endothelial cells targeted by VTAs do not mutate to become drug resistant. Drug resistance caused by the instability and mutability of cancer cells is a significant problem with conventional therapeutic agents which must directly target the cancer cells of the tumor.

Our scientists continue to perform preclinical studies on VTAs. In these preclinical animal studies, VTAs have shown that within hours after administration, clots form in the tumor vasculature and the tumor cells begin to die. Within days, large tumor masses have been shown to disintegrate and have left nearby healthy tissue intact and fully functional.

The VTA technology differs from conventional anti-angiogenesis therapy in that VTAs act by shutting off the supply of oxygen and nutrients to tumor cells by inducing clot formation in existing tumor-blood vessels. By contrast, anti-angiogenesis compounds typically work by inhibiting the growth of new tumor blood vessels. In inhibiting the growth of new tumor blood vessels, tumor growth may be diminished, but the existing tumor can maintain its bulk by utilizing the existing tumor blood vessels. The VTA approach, therefore, is designed to provide a therapeutic effect for the debulking of existing tumors.

VTA LICENSING OBLIGATIONS. In conjunction with obtaining certain exclusive licenses for Vascular Targeting Agents (VTAs) technologies from Peregrine, the Company will be required to pay (i) annual patent maintenance fees of $50,000, (ii) an aggregate of $587,500 upon attainment of defined milestones and (iii) an aggregate of $450,000 upon commercial introduction of the products which will be off-set against future royalty payments. In addition, the Company must pay royalties ranging from 2% to 4% of net sales of the related products. If the products are sublicensed, the Company must pay royalties of up to 25% of the sublicense revenues received by the Company. No revenues have been generated from our VTA technology. In connection with our agreement with Schering A.G., Germany for Oncolym(R), Schering A.G., Germany has agreed to discuss with us the development and commercialization of Vascular Targeting Agents.

VASOPERMEATION ENHANCEMENT AGENTS (VEAS). Vasopermeation Enhancement Agents use vasoactive compounds (molecules that cause tissues to become more permeable) linked to monoclonal antibodies, such as the TNT antibodies, to increase the vasoactive permeability at the tumor site and act to increase the concentration of killing agents at the core of the tumor. VEAs are administered to a cancer patient by pretreating the patient with a vasoconjugate, such as Interleukin-2 (IL-2) linked to a monoclonal antibody, a few hours prior to delivery of a therapeutic agent. The antibody side of this vasoconjugate may be targeted either against antigens which are unique to the tumor vessel walls or antigens inside the tumor itself. The vasoconjugate affects the walls of the tumor vessel and causes an immediate increase in vessel permeability thereby causing these tissues to become a "sink" for other compounds that are subsequently given intravenously. This increased state of permeability creates a window of opportunity for several hours, allowing any therapeutic drug injected into the patient during that time to enter the tumor in greatly enhanced concentrations. In pre-clinical studies, our scientists were able to increase the uptake of drugs or isotopes within a tumor by 200% to 400% if a VEA was given several hours prior to the therapeutic treatment. The therapeutic drug can be a chemotherapy drug, radiolabeled antibody or other cancer fighting agents. This enhancement of toxic drug dosing is achieved by altering the physiology and, in particular, the permeability of the blood vessels and capillaries that serve the tumor. As the tumor vessels become more permeable, the amount of therapeutic treatment reaching the tumor cells increases. Our scientists are doing preliminary studies on Vasopermeation Enhancement Agents.

VEA LICENSING OBLIGATIONS. The Company entered into a license agreement for the VEA technology with a university for the exclusive, worldwide licensing rights to use certain patents and technologies in exchange for fixed and contingent payments and future minimum royalties of $80,000 annually or 6% of net sales of the related products.

DIRECT TARGETING AGENT FOR NON-SOLID TUMOR THERAPY

ONCOLYM(R). Techniclone's first and, presently, only proprietary monoclonal antibody cancer therapy product, Oncolym(R), is designed as a therapy against non-Hodgkin's B-cell lymphoma cancer. Techniclone's Oncolym(R) antibody is linked to a radioactive isotope (I131), and the combined molecule is injected into the blood stream of the cancer patient where it recognizes and binds to the cancerous lymphoma tumor sites, thereby delivering the radioactive isotope to the tumor site, with minimal adverse effects on surrounding healthy tissue.

ONCOLYM(R) LICENSE TO SCHERING A.G., GERMANY. In March 1999, the Company entered into a License Agreement with Schering A.G., Germany, whereby Schering A.G., Germany was granted the exclusive, worldwide right to market and distribute Oncolym(R) products, in exchange for an initial payment of $3,000,000, a further payment of $2,000,000 following the acceptance by the FDA for filing of the first drug approval application for Oncolym(R) in the United States, a further payment of $7,000,000 following regulatory approval of Oncolym(R) in the United States and two final payments of $2,500,000 each following regulatory approval of Oncolym(R) in any country in Europe and upon the first commercial sale of Oncolym(R) in any country in Europe. The Company will also receive a royalty of up to twelve percent (12%) of net sales of Oncolym(R) products. The agreement with Schering A.G., Germany is subject to certain other conditions and may be terminated by Schering A.G., Germany for a number of reasons as defined in the agreement, including upon thirty days' written notice given at any time prior to receiving regulatory approval.

Schering A.G., Germany is a recognized worldwide leader in the commercialization and marketing of pharmaceutical products with competence in Oncology. Under the agreement, Schering A.G., Germany controls the clinical development program and funds 80% of the clinical trial costs. Recently, Schering A.G., Germany has advised us that they believe the potential success of the Oncolym(R) product may be enhanced via a revision of the current Phase II protocol. In this context, Schering A.G., Germany is analyzing the results of the current Phase II clinical trial and, based on that analysis, may revise the current protocol. As such, the current clinical trial sites will remain open for treating existing patients, however, no new enrollment of patients will be made under the current trial. If a revised protocol is developed by Schering A.G., Germany, it will be submitted to the United States Food and Drug Administration ("FDA") for additional clinical studies.

ONCOLYM(R) LICENSING OBLIGATIONS. In March 1999, the Company entered into a Termination Agreement with Biotechnology Development, Ltd. ("BTD"), pursuant to which the Company terminated all previous agreements with BTD and thereby reacquired the marketing rights to Oncolym(R) products in Europe and certain other designated foreign countries. In exchange for these rights, the Company expensed $4,500,000 as a license fee in fiscal year 1999, consideration for which was comprised of a secured promissory note payable in the amount of $3,300,000 and 1,523,809 shares of common stock at a 10% discount to market as defined in the Termination Agreement (equal to $1,200,000). In addition, the Company issued warrants to BTD to purchase up to 3,700,000 shares of common stock at an exercise price of $3.00 per share exercisable for a period of three (3) years and issued additional warrants to BTD to purchase up to 1,000,000 shares of common stock at an exercise price of $5.00 per share exercisable for a period of five (5) years.

Prior to fiscal year 1999, the Company entered into several agreements for the licensing of Oncolym(R). Under these agreements, the Company is obligated to make future "milestone based" payments totaling $2, 100,000 and pay royalties of up to an aggregate 8% of net sales for a specified period of time as defined in the agreements. The aggregate royalty rate is currently being negotiated and is expected to be reduced to 5% of net sales with such royalty rate being payable for a longer period of time. There can be no assurance however, that the Company will be successful in obtaining such reduced royalty rate.

OTHER COMPANY DEVELOPMENTS

On December 24, 1998, the Company completed the sale and subsequent leaseback of its two facilities with an unrelated entity. The aggregate sales price of the two facilities was $6,100,000, comprised of $4,175,000 in cash and a note receivable of $1,925,000. In accordance with Statement of Financial Accounting Standard (SFAS) No. 98, the Company accounted for the sale and subsequent leaseback transaction as a sale and removed the net book value of land, buildings and building improvements of $7,014,000 from the consolidated financial statements and recorded a non-cash loss on sale of $1,171,000, which included expenses of $257,000 related to the sale.

COMPETITION

Our competitive position is based on our proprietary technology, know-how and U.S. patents covering our collateral (indirect) targeting agent technologies (TNT, VTA and VEA) and our direct targeting agent technology (Oncolym(R)) for the therapeutic treatment of human cancers. We have a number of worldwide patents and patent applications issued and pending. We plan to compete on the basis of the advantages of our technologies, the quality of our products, the protection afforded by our issued patents and our commitment to research and develop innovative technologies.

Various other companies, some or all of which have larger financial resources than us, are currently engaged in research and development of monoclonal antibodies and in cancer prevention and treatment. There can be no assurance that such companies, other companies or various other academic and research institutions will not develop and market monoclonal antibody products or other products to prevent or treat cancer prior to the introduction of, or in competition with, our present or future products. In addition, there are many firms with established positions in the diagnostic and pharmaceutical industries which may be better equipped than us to develop monoclonal antibody technology or other products to diagnose, prevent or treat cancer and to market their products. Accordingly, we plan to, whenever feasible, enter into joint venture relationships with these competing firms or with other firms with appropriate capabilities for the development and marketing of specific products and technologies so that our competitive position might be enhanced.

Tumor Necrosis Therapy (TNT), is currently in a Phase II clinical trial for the treatment of malignant glioma (brain cancer) and a Phase I equivalent clinical trial for the treatment of prostate, liver and pancreatic cancers in Mexico City. The Company knows of no similar radiolabeled compound similarly administered, which are in clinical trials under a Company sponsored IND for application to brain, prostate, liver and pancreatic cancers. However, there may be alternative potential cancer therapy approaches in development by others which may compete with the Company's TNT product, if approved for sale.

The Company's other potential product, Oncolym(R), is a treatment for intermediate and high grade non-Hodgkin's lymphoma. There are currently two potential competitors either using or planning to use monoclonal antibody based therapy for the treatment of non-Hodgkin's lymphoma. These potential competitors are Coulter Pharmaceutical, Inc. ("Coulter") and IDEC Pharmaceuticals Corporation ("IDEC"). IDEC has a marketed drug that is on the market in the US and Europe for the treatment of low grade lymphoma and Coulter has recently filed a BLA seeking approval for the treatment of low grade lymphoma. Coulter has also announced that it intends to seek to conduct clinical trials of its antibody treatment for intermediate and/or high grade non-Hodgkin's lymphomas. IDEC received FDA approval of this antibody in 1997 and is currently marketing its product through a joint venture with Genentech Inc.. Other companies may also be working on monoclonal antibody-based therapies which may compete with Oncolym(R).

The Company believes that its product development programs will be subject to significant competition from companies utilizing alternative technologies as well as to increasing competition from companies that develop and apply technologies similar to the Company's technologies. Other companies may succeed in developing products earlier than the Company, obtaining approvals for such products from the FDA more rapidly than the Company or developing products that are safer and more effective than those under development or proposed to be developed by the Company. There can be no assurance that research and development by others will not render the Company's technology or potential products obsolete or non-competitive or result in treatments superior to any therapy developed by the Company, or that any therapy developed by the Company will be preferred to any existing or newly developed technologies.

GOVERNMENT REGULATION

Regulation by governmental authorities in the United States and other countries is a significant factor in the Company's ongoing research and development activities and in the production and marketing of its products. The amount of time and expense involved in obtaining necessary regulatory approval depends upon the type of product. The procedure for obtaining FDA regulatory approval for a new human pharmaceutical product, such as TNT, VTA, VEA and Oncolym(R), involves many steps, including laboratory testing of those products in animals to determine safety, efficacy and potential toxicity, the filing with the FDA of a Notice of Claimed Investigational Exemption for Use of a New Drug prior to the initiation of clinical testing of regulated drug and biologic experimental products, and clinical testing of those products in humans. The Company has filed a Notice of Claimed Investigational Exemption for Use of a New Drug with the FDA for the production of Oncolym(R) and TNT as a material intended for human use, but has not filed such a Notice with respect to any other in vivo products. The regulatory approval process is administered by the FDA's Center for Biologics Research and Review and is similar to the process used for any new drug product intended for human use.

The pre-marketing clinical testing program required for approval of a new drug or biologic typically involves a three-phase process. Phase I consists of testing for the safety and tolerance of the drug with a small group of patients, and also yields preliminary information about the effectiveness of the drug and dosage levels. Phase II involves testing for efficacy, determination of optimal dosage and identification of possible side effects in a larger patient group. Phase III clinical trials consist of additional testing for efficacy and safety with an expanded patient group. After completion of clinical studies for a biologics product, a Biologics License Application (BLA) is submitted to the FDA for product marketing approval and for licensing of the product manufacturing facilities. In responding to such an application, the FDA could grant marketing approval, request clarification of data contained in the application or require additional testing prior to approval. The Company has not, to date, filed a BLA for any of its products.

If approval is obtained for the sale of a new drug, FDA regulations will also apply to the manufacturing process and marketing activities for the product and may require post-marketing testing and surveillance programs to monitor the effects of the product. The FDA may withdraw product approvals if compliance with regulatory standards, including labeling and advertising, is not maintained or if unforeseen problems occur following initial marketing. The National Institutes of Health has issued guidelines applicable to the research, development and production of biological products, such as the Company's product candidates. Other federal agencies and congressional committees have indicated an interest in implementing further regulation of biotechnology applications. The Company cannot predict, however, whether new regulatory restrictions on the manufacturing, marketing, and sale of biotechnology products will be imposed by state or federal regulators and agencies.

In addition, the Company is subject to regulation under state, federal, and international laws and regulations regarding occupational safety, laboratory practices, the use and handling of radioactive isotopes, environmental protection and hazardous substance control, and other regulations. The Company's clinical trial and research and development activities, involve the controlled use of hazardous materials, chemicals and radioactive compounds. Although the Company believes that its safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, the Company could be held liable for any damages that result and any such liability could exceed the financial resources of the Company. In addition, disposal of radioactive materials used by the Company in its clinical trials and research efforts may only be made at approved facilities.

The Company's product candidates, if approved, may also be subject to import laws in other countries, the food and drug laws in various states in which the products are or may be sold and subject to the export laws of agencies of the United States government.

The Company believes that it is in material compliance with all applicable laws and regulations including those relating to the handling and disposal of hazardous and toxic wastes.

During fiscal year 1999, the Office of Orphan Products Development of the FDA determined that Oncolym(R) and TNT qualify for orphan designation for the treatment of intermediate and high-grade B-cell Non-Hodgkin's Lymphoma and for the treatment of glioblastoma multiforme and anaplastic astrocytoma (brain cancer), respectively. The 1983 Orphan Drug Act (with amendments passed by Congress in 1984, 1985, and 1988) includes various incentives that have stimulated interest in the development of orphan drug and biologic products. These incentives include a seven-year period of marketing exclusivity for approved orphan products, tax credits for clinical research, protocol assistance, and research grants. Additionally, legislation re-authorizing FDA user fees also created an exemption for orphan products from fees imposed when an application to approve the product for marketing is submitted.

PATENTS AND TRADE SECRETS

The Company has relied on the internal achievements, as well as the direct sponsorship of university researchers, for development of its basic technologies. The Company believes it will continue to learn, on a timely basis, of advances in the biological sciences which might complement or enhance its existing technologies. It intends to pursue opportunities to license its basic technologies and any advancements or enhancements, as well as to pursue the incorporation of its technologies in the development of its own products.

The Company has filed several patent applications either directly or as a co-sponsor/licensee. The Company treats particular aspects of the production and radiolabeling of monoclonal antibodies and related technologies as trade secrets.

Patent protection may, however, be significant in the case of newly developed antibody-based technologies. The Company intends to pursue patent protection for inventions related to antibody-based technologies that it cannot protect as trade secrets. Techniclone, as licensee, co-sponsored the patent applications for the LYM-1 and LYM-2 antibodies utilized in its Oncolym(R) product candidate through licensing agreements with Northwestern University. United States patents for LYM-1 and LYM-2 antibodies were issued in February 1988.

The Company's TNT technologies are covered by a United States patent issued in August 1989 for diagnostic and therapeutic monitoring, by a United States patent issued in May 1991 for all therapeutic applications and by a United States patent issued in March 1999 for diagnostic and therapeutic monitoring. An additional US patent application is pending. The foreign counterparts of these patents have been issued by the European Patent Office and are still pending in several Asian countries.

For its Vasopermeation Enhancement Agents (VEAs) technology, Techniclone holds an exclusive world-wide license from the University of Southern California (USC) that covers all uses of the Vasopermeation Enhancement technology and all related patents that may issue. USC has filed patent applications covering the Vasopermeation Enhancement technology in the United States, Europe, Japan, Canada and Australia. The United States patent application was filed in October 1988 and is currently pending. This patent covers vasoactive compounds attached to immunoreactive fragments for the purpose of enhancing the uptake of therapeutic drugs or diagnostic agents. The European patent application for Vasopermeation Enhancement was allowed in June 1995.

Techniclone's Modified Antibody Technology is covered by a U.S. patent issued in March 1993. The European patent application for Modified Antibody Technology was allowed in June 1996. Asian patent applications for Modified Antibody Technology are pending as is a second United States patent application covering further uses of the technology.

The Company's Vascular Targeting Agent (VTA) technologies, acquired through the acquisition of Peregrine Pharmaceuticals, Inc. ("Peregrine") in April 1997, are covered by numerous patents and patent applications. These technologies are licensed from the University of Texas Southwestern Medical Center at Dallas, TX; Beth Israel Hospital, Boston, MA; the Scripps Institute, La Jolla, CA and Johnson & Johnson. These patents and patent applications cover the generic idea of clotting tumor vasculature as a means of cancer therapy. The concepts covered by these patents and patent applications include clotting tumor blood vessels either by killing the tumor blood vessels which leads to clotting or by directly clotting the blood vessels by targeting natural clotting proteins to the tumor blood vessels. The targeting methods described in the patents and patent applications include markers expressed on, induced on, associated with or otherwise localized on the tumor blood vessels.

Some of the Company's antibody production and use methods are patented by third parties. The Company is currently negotiating with certain third parties to acquire licenses needed to produce and commercialize chimeric and human antibodies, including the Company's TNT antibody. These licenses are generally available from the licensors to all interested parties. The terms of the licenses, obtained and expected to be obtained, are not expected to significantly impact the cost structure or marketability of chimeric or human based products.

In general, the patent position of a biotechnology firm is highly uncertain and no consistent policy regarding the breadth of allowed claims has emerged from the actions of the U.S. Patent Office with respect to biotechnology patents. Accordingly, there can be no assurance that the Company's patents, including those issued and those pending, will provide protection against competitors with similar technology, nor can there be any assurance that such patents will not be infringed upon or designed around by others.

International patents relating to biologics are numerous and there can be no assurance that current and potential competitors have not filed or in the future will not file patent applications or receive patents relating to products or processes utilized or proposed to be used by the Company. In addition, there is certain subject matter which is patentable in the United States but which may not generally be patentable outside of the United States. Statutory differences in patentable subject matter may limit the protection the Company can obtain on some of its products outside of the United States. These and other issues may prevent the Company from obtaining patent protection outside of the United States. Failure to obtain patent protection outside the United States may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company knows of no third party patents which are infringed by its present activities or which would, without infringement or license, prevent the pursuit of its business objectives. However, there can be no assurances that such patents have not been or will not be issued and, if so issued, that the Company will be able to obtain licensing arrangements for necessary technologies on terms acceptable to the Company. The Company also intends to continue to rely upon trade secrets and improvements, unpatented proprietary know-how, and continuing technological innovation to develop and maintain its competitive position in research and diagnostic products. To this end, the Company typically places restrictions in its agreements with third parties which restrict their right to use and disclose any of the Company's proprietary technology with which they may be involved. In addition, the Company has internal non-disclosure safeguards, including confidentiality agreements, with its employees. There can be no assurance, however, that others may not independently develop similar technology or that the Company's secrecy will not be breached.

MANUFACTURING AND PRODUCTION

The Company uses various common raw materials in the manufacture of its products and in the development of its technologies. These raw materials are generally available from several alternate distributors of laboratory chemicals and supplies. The Company has not experienced any significant difficulty in obtaining these raw materials and does not consider raw material availability to be a significant factor in its business. The Company uses purified materials with strict requirements for sterility and pyrogenicity.

The Company's TNT and Oncolym(R) antibodies are produced for clinical trial use utilizing Current Good Manufacturing Practices ("CGMP") at our leased pilot facility in Tustin, California. The Company has acquired additional bioreactors and other equipment which it believes is adequate to meet current clinical trial requirements for its TNT and Oncolym(R) products. Centralized product testing and process controls in this facility permit the Company to maintain uniformity and quality control of its antibodies while utilizing economies of scale in its manufacturing processes.

If the demand for our antibody increases with additional clinical trials, the Company's facilities would be expandable to handle increased clinical trial antibody production requirements with a minor investment of additional capital. -However, the Company expects that it will be required to enter into supply agreements with contract manufacturing companies for the commercial antibody quantities required to support the Company's antibody product candidates, if and when approved for sale. By contracting out commercial production requirements, the Company hopes to avoid or defer the significant investment in facilities that would be required to self-manufacture for commercial markets. The Company believes that adequate antibody production expertise and capacity is competitively available in the industry from contract manufacturers to fulfill the Company's expected future antibody needs.

Once the TNT and Oncolym(R) antibodies have passed stringent quality control and outside testing, the antibodies are shipped to facilities for radiolabeling, (the process of attaching the radioactive agent, Iodine-131, to the antibody). From the radiolabeling facilities, the labeled TNT and Oncolym(R) antibodies are shipped to the nuclear medicine department of medical centers and hospitals for use in treating patients.

The Company has contracted with three separate radiolabeling facilities for labeling its clinical trial material. These facilities are not currently capable of handling significantly increased clinical trial labeling production and labeling for the commercial market. In March 1999, the Company entered into an agreement with MDS Nordion who has expertise in radiolabeling monoclonal antibodies. This company is currently in the process of developing a program which will enable our Oncolym(R) and TNT products to be labeled with I-131 in sufficient quantities for use in expanded clinical trials and for commercial supply. Any commercial radiolabeling supply arrangement will require the investment of significant funds by the Company in order for a radiolabeling vendor to develop the expanded facilities necessary to support the Company's products.

MARKETING

The Company intends to sell its products in the United States and internationally in collaboration with marketing partners. In March 1999, the Company entered into a licensing agreement with Schering A.G., Germany to market and distribute its Oncolym(R) product. At the present time, the Company does not have an internal sales force to market its other product candidates, if approved. If and when the FDA approves TNT or the Company's other products under development, the marketing of these product candidates, if approved, will be contingent upon the Company entering into an agreement with a company with a sales force or upon the Company recruiting, training and deploying a sales force. The Company does not presently possess the resources or experience necessary to market TNT or its other product candidates. Other than the agreement with Schering A.G., Germany, the Company has no arrangements for the distribution of its product candidates, and there can be no assurance that the Company will be able to enter into any such arrangements in a timely manner or on commercially favorable terms, if at all. If the Company is successful in obtaining FDA approval for one or more of its product candidates, the Company's ability to market the product will be contingent upon either licensing or entering into a marketing agreement with a large company or upon it recruiting, developing, training and deploying its own sales force. Development of an effective sales force requires significant financial resources, time, and expertise. There can be no assurance that the Company will be able to obtain the financing necessary or to establish such a sales force in a timely or cost effective manner, if at all, or that such a sales force will be capable of generating demand for the Company's product candidates. The Company is currently discussing additional collaboration arrangements with corporate partners to develop the capacity to manufacture, market and sell the Company's other product candidates.

EMPLOYEES

As of July 15, 1999, the Company employed 40 full-time employees, which included 3 Ph.D. level persons, 28 technical and support employees, and 9 administrative employees. The Company believes its relationships with its employees are good. The Company's employees are not represented by a collective bargaining organization and the Company has not experienced a work stoppage. The Company expects to add additional employees during the year ending April 30, 2000, to facilitate the expansion of its clinical trial programs and other corporate operations.

ITEM 2. PROPERTIES

The Company's corporate, development, clinical trials and manufacturing operations are located in two Company-leased office and laboratory buildings with aggregate square footage of approximately 47,770 feet. The facilities are adjacent to one another and are located at 14272 and 14282 Franklin Avenue, Tustin, California 92780-7017. The Company manufactures its Oncolym(R) and TNT antibodies at these facilities. The Company makes combined monthly lease payments of approximately $56,250 for these facilities with a 3.35% rental increase every two years. The lease has a twelve-year term with two five-year extensions. Monthly rental income from sub-tenants is not significant. The Company believes its facilities are adequate for its current needs and that suitable additional substitute space will be available as and if needed.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fiscal quarter ended April 30, 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Prior to 1991, the Company was listed on the National Market System of The Nasdaq Stock Market. In 1991 the Company was delisted because it did not meet certain of the financial standards established by The Nasdaq Stock Market. Since April 1, 1996, Techniclone's common stock has been traded on the Small Cap market of The Nasdaq Stock Market under the trading symbol "TCLN". The following table shows the high and low sales price of Techniclone's common stock for each quarter in the two years ended April 30, 1999:

	Common Stock Sales Price	
	High	Low
Quarter Ended April 30, 1999	$1.44	$0.81
Quarter Ended January 31, 1999	$1.56	$0.94
Quarter Ended October 31, 1998	$2.00	$0.63
Quarter Ended July 31, 1998	$2.66	$0.66
Quarter Ended April 30, 1998	$1.13	$0.47
Quarter Ended January 31, 1998	$3.31	$0.91
Quarter Ended October 31, 1997	$4.38	$2.38
Quarter Ended July 31, 1997	$5.63	$3.63

As of July 15, 1999, the number of holders of record of the Company's common stock was 5,833.

The Company has a limited operating history and only nominal revenues to date. No dividends on common stock have been declared or paid by the Company. The Company intends to employ all available funds for the development of its business and, accordingly, does not intend to pay any cash dividends in the foreseeable future.

SALES OF UNREGISTERED SECURITIES

The following is a summary of transactions by the Company during the quarterly period commencing on February 1, 1999 and ending on April 30, 1999 involving issuances and sales of the Company's securities that were not registered under the Securities Act of 1933, as amended (the Securities Act")

On or about February 8, 1999, the Company issued to one unaffiliated investor an aggregate of 172,841 shares of the Company's Common Stock upon conversion of 68 outstanding shares of the Company's 5% Adjustable Convertible Class C Preferred Stock (the "Class C Stock") and upon the exercise of outstanding warrants to purchase 58,122 shares of Common Stock for total consideration of $38,094. Upon conversion of the 68 shares of Class C Stock, the Company issued warrants to such investor to purchase up to an aggregate of 28,679 shares of the Company's Common Stock at an exercise price of $0.6554 per share which warrants were included in the total 58,122 warrants.

During March 1999, in conjunction with reacquiring certain Oncolym(R) rights from BTD, the Company issued 1,523,809 shares of common stock to BTD for consideration of $1,200,000 and also issued a secured promissory note to BTD in the amount of $3,300,000, which bears simple interest at a rate of 10% per annum and is due and payable in full on March 1, 2001. In addition, the Company granted warrants to BTD to purchase up to 3,700,000 shares of its common stock at an exercise price of $3.00 per share, which expire in March 2002, and warrants to purchase up to 1,000,000 shares of its common stock at an exercise price of $5.00 per share, which expire in March 2004.

On February 2, 1999, the Company issued an aggregate of 2,608,695 shares of the Company's common Stock to the two institutional investors under the Equity Line, for an aggregate purchase price of $2,250,000, pursuant to an Equity Line draw and also issued warrants to the two institutional investors to purchase up to 260,868 shares of Common Stock at an exercise price of $.8625 per share, which warrants are immediately exercisable and expire on December 31, 2004. The Company also issued 260,869 shares of the Company's Common Stock to Dunwoody Brokerage Services, Inc. ("Dunwoody") as commission shares under the Equity Line for no monetary consideration pursuant to this Equity Line draw of $2,250,000 from the two institutional investors. In addition, the Company issued warrants to Dunwoody to purchase up to 26,086 shares of the Company's Common Stock at an exercise price of $0.8625 per share, which warrants are immediately exercisable and expire on December 31, 2004.

On April 15, 1999, the Company issued an aggregate of 801,347 shares of the Company's Common Stock to the two institutional investors under the Equity Line, for no monetary consideration, as an adjustment to the purchase price of one-half of the initial shares sold to the two institutional investors in June 1998, pursuant to the terms of the Equity Line. The Company also issued 80,134 shares of Common Stock to Dunwoody, for no monetary consideration, as commission shares in connection with such adjustment. The Equity Line provides that the Company is required to issue additional shares of Common Stock to the two institutional investors on July 15, 1999, as an adjustment to the other one-half of the initial shares sold in June 1998, if the market price as of such date, as defined in the Equity Line Agreement, is less that the initial price paid for the shares sold in June 1998. The number of shares of Common Stock the Company is required to issue pursuant to each such adjustment is equal to the difference between one-half of the amount of shares actually sold in June 1998 and one-half of the amount of shares which would have been issued if the price had been the market price as of the date of such adjustment, as defined in the Equity Line Agreement.

The issuance of the securities of the Company in each of the above transactions was 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 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from audited consolidated financial statements of the Company for each of the five years in the period ended April 30, 1999. These selected financial summaries should be read in conjunction with the financial information contained for each of the three years in the period ended April 30, 1999, included in the consolidated financial statements and notes thereto, Management's Discussion and Analysis of Results of Operations and Financial Condition, and other information provided elsewhere herein.

SELECTED FINANCIAL DATA

CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED APRIL 30,

	1999	1998	1997	1996	1995
REVENUES:					
Licensing fees	$ --	$ --	$ --	$ 3,000,000	$ 7,000
Interest and other income	380,000	534,000	346,000	143,000	--
Total revenues	380,000	534,000	346,000	3,143,000	7,000
COSTS AND EXPENSES:					
Research and development	8,795,000	7,644,000	2,912,000	1,682,000	1,357,000
License fee	4,500,000				
General and administrative					
Unrelated entities	4,903,000	4,255,000	3,047,000	948,000	547,000
Affiliates		163,000	266,000	171,000	137,000
Loss on disposal of property	1,247,000				
Interest	428,000	296,000	148,000	17,000	28,000
Purchased in-process research and development	--	--	27,154,000	--	4,850,000
Total costs and expenses	19,873,000	12,358,000	33,527,000	2,818,000	6,919,000
NET INCOME (LOSS)	$ (19,493,000)	$ (11,824,000)	$ (33,181,000)	$ 325,000	$ (6,912,000)
Net income (loss) before preferred stock accretion and dividends	$ (19,493,000)	$ (11,824,000)	$ (33,181,000)	$ 325,000	$ (6,912,000)
Preferred stock accretion and dividends:					
Accretion of Class B and Class C Preferred Stock discount	(531,000)	(2,476,000)	--	(5,327,000)	--
Imputed dividends for Class B and Class C Preferred Stock	(15,000)	(965,000)	(544,000)	(561,000)	--
NET LOSS APPLICABLE TO COMMON STOCK	$ (20,039,000)	$ (15,265,000)	$ (33,725,000)	$ (5,563,000)	$ (6,912,000)
WEIGHTED AVERAGE SHARES OUTSTANDING	66,146,628	30,947,758	21,429,858	18,466,359	15,794,811
BASIC AND DILUTED LOSS PER SHARE	$ (0.30)	$ (0.49)	$ (1.57)	$ (0.30)	$ (0.44)

SELECTED FINANCIAL DATA

CONSOLIDATED BALANCE SHEET DATA
YEAR ENDED APRIL 30,

	1999	1998	1997	1996	1995
Cash and Cash Equivalents	$ 2,385,000	$ 1,736,000	$ 12,229,000	$ 4,179,000	$ 36,000
Working Capital (Deficit)	$ (2,791,000)	$ (2,508,000)	$ 10,618,000	$ 7,461,000	$ (934,000)
Total Assets	$ 7,370,000	$ 12,039,000	$ 18,701,000	$ 10,776,000	$ 857,000
Long-Term Debt	$ 3,498,000	$ 1,926,000	$ 1,970,000	$ 987,000	$ 259,000
Accumulated Deficit	$ (92,678,000)	$ (72,639,000)	$ (57,374,000)	$ (23,649,000)	$ (18,086,000)
Stockholders' Equity (Deficit)	$ (2,133,000)	$ 5,448,000	$ 14,568,000	$ 8,965,000	$ (600,000)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW. Techniclone Corporation is a biopharmaceutical company engaged in the research, development and commercialization of targeted cancer therapeutics. We develop product candidates based primarily on our proprietary collateral (indirect) tumor targeting technologies for the treatment of solid tumors and a direct tumor targeting agent for the treatment of refractory malignant lymphoma. As shown in the Company's consolidated financial statements, the Company incurred operating losses during fiscal 1999, 1998 and 1997 and has an accumulated deficit at April 30, 1999.

GOING CONCERN. The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the consolidated financial statements, the Company experienced a loss of approximately $19,493,000 during the year ended April 30, 1999, had a cash balance of approximately $2,385,000 and had an accumulated deficit of approximately $92,678,000 at April 30, 1999. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

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

YEAR ENDED APRIL 30, 1999 COMPARED TO YEAR ENDED APRIL 30, 1998

The Company incurred a net loss of approximately $19,493,000 for the fiscal year ended April 30, 1999, as compared to a net loss of approximately $11,824,000 for the fiscal year ended April 30, 1998. The increased net loss of approximately $7,669,000 in 1999 is primarily attributable to an increase in total costs and expenses of $7,515,000 combined with a decrease in interest and other income of $154,000.

The increase in total costs and expenses of $7,515,000 from fiscal year 1998 to fiscal year 1999 is primarily attributable to an increase in license fees of $4,500,000 recorded in fiscal year 1999 to re-acquire certain marketing rights with respect to Oncolym(R) from BTD, an increase in loss on disposal of property of $1,086,000, primarily related to the sale of the Company's two buildings, which were subsequently leased back, an increase in research and development expenses of $1,151,000, primarily related to increased clinical trial costs, an increase in general and administrative expenses of $646,000, primarily related to severance arrangements with the Company's former officers, and an increase in interest expense of $132,000, related to greater interest bearing debt outstanding during the year.

The increase in research and development expenses of $1,151,000 during the year ended April 30, 1999 compared to the same period in the prior year resulted primarily from increased costs to support the Company's clinical trial programs for its Oncolym(R) and TNT products, partially offset by a decrease in license fees paid to Alpha Therapeutic Corporation ("Alpha") of $510,000 to re-acquire certain licensing rights with respect to Oncolym(R).

General and administrative expenses increased approximately $646,000 during the year ended April 30, 1999 in comparison to the prior year ended April 30, 1998. The increase in general and administrative expenses resulted primarily from expenses recorded in fiscal year 1999 of $1,249,000 under severance arrangements with the Company's former Chief Executive Officer and former V.P. of Operations and Administration, of which $760,000 was considered a non-cash expense. The increase in severance expense was partially offset by a decrease of $325,000 related to additional consideration paid to the Company's Class C Preferred stockholders in fiscal year 1998 combined with a net decrease in other general and administrative expenses of $278,000 in fiscal year 1999.

Interest expense increased approximately $132,000 during the year ended April 30, 1999 in comparison to the year ended April 30, 1998 due to higher levels of interest-bearing debt outstanding during the year. During fiscal year 1999, the Company re-acquired certain Oncolym(R) rights from BTD and issued a note payable for $3,300,000, which bears simple interest at 10% per annum and is due and payable in full on March 1, 2001. In addition, during fiscal year 1999, the Company entered into a short-term note agreement to finance certain construction costs incurred to enhance the Company's manufacturing facilities.

Interest and other income decreased $154,000 during fiscal year 1999 compared to the prior year primarily due to a decrease in interest income of $204,000 partially offset by an increase in grant revenue of $67,000 from a major international pharmaceutical company for the TNT Phase I equivalent clinical trial in Mexico City. The Company does not expect interest income or product revenues to be significant in the year ending April 30, 2000.

YEAR ENDED APRIL 30, 1998 COMPARED TO YEAR ENDED APRIL 30, 1997
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The Company incurred a net loss of $11,824,000 for the fiscal year ended April 30, 1998, as compared to a net loss of $33,181,000 for the prior fiscal year ended April 30, 1997. The decrease in the net loss of approximately $21,357,000 is primarily attributable to the net effect of a one time non-cash charge to earnings of $27,154,000 in fiscal year 1997 in connection with the acquisition of the outstanding capital stock of Peregrine during that year. In addition, during fiscal year 1998, research and development expenses increased $4,732,000, general and administrative expenses increased $944,000, loss on disposal of property increased $161,000 and interest expense increased $148,000. Such increases were partially offset by an increase in interest and other income of $188,000 during fiscal year 1998.

Research and development expense increased approximately $4,732,000 for the year ended April 30, 1998, in comparison to the year ended April 30, 1997. This increase resulted primarily from the Company's increased activities during the year ended April 30, 1998, in preparing and conducting Phase II/III clinical trials of Oncolym(R) and the Company's activities in preparation for its Phase I TNT clinical trial for malignant glioma (brain cancer), which began in March 1998. In connection with preparing for and conducting clinical trials, the Company was required to hire additional personnel, increase production and radiolabeling capabilities, establish multiple clinical trial sites and augment

its validation and quality control activities to prepare for the upgrade of its facilities to CGMP standards. Also contributing to the increase in research and development expenses during fiscal year 1998, were fees of $510,000 incurred in connection with the repurchase of the Oncolym(R) rights from Alpha and increased license and legal and patent fees related to the VTA technologies acquired in conjunction with the acquisition of Peregrine in April 1997.

General and administrative expenses incurred by the Company increased approximately $944,000 during the year ended April 30, 1998, in comparison to the prior year ended April 30, 1997. The increase in general and administrative expenses during the year ended April 30, 1998, resulted primarily from increased consulting fees associated with the acquisition of Peregrine, additional noncash consideration paid to the Company's Class C Preferred stockholders, increased payroll and recruiting costs associated with the hiring of a new chief executive officer and increased legal, accounting, administrative and filing fees associated with increased public filings and other public relations activities.

During fiscal year 1998, the Company recorded a non-cash loss on disposal of property of $161,000 for property disposed of during the construction of the enhanced manufacturing facility. No property disposals were recorded in fiscal year 1997.

Interest expense increased approximately $148,000 during fiscal year 1998 as compared to fiscal year 1997 due to higher levels of interest-bearing debt outstanding during the 1998 year. The higher level of debt was as a result of the purchase of a second facility in October 1996 combined with financing of equipment purchases during fiscal year 1998.

The increase in interest and other income of $188,000 from $346,000 in fiscal year 1997 to $534,000 in fiscal year 1998 is primarily attributable to an increase in interest income earned on cash available for investment. During fiscal year 1998, the Company had greater amounts of cash available for investment as a result of the completion of the Class C Preferred Stock financing in April 1997.

LIQUIDITY AND CAPITAL RESOURCES
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During fiscal year 1999, the Company utilized $7,854,000 in cash for operations. The Company has financed its operations to date primarily through the sale of preferred and common stock. During fiscal year 1999, the Company received net proceeds of $9,560,000 primarily from the sale of Class C Preferred Stock, Common Stock and from the exercise of stock options and warrants.

During June 1998, the Company secured access to $20,000,000 under a Regulation D Common Stock Equity Line Subscription Agreement ("Equity Line") with two institutional investors, which expires 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). In addition, if the Company's closing bid price falls below $1.00 on any day during the ten trading days prior to a Put, the Company's ability to access funds under the Equity Line in such Put is limited to 15% of what would otherwise be available. If the closing bid price of the Company's common stock falls below $0.50 or if the Company is delisted from The Nasdaq SmallCap Market, the Company would have no access to funds under the Equity Line.

Puts under the Equity Line are priced at a discount equal to the greater of 17.5% of the lowest closing bid price during the ten trading days immediately preceding the date on which such shares are sold to the institutional investors or $0.20. At June 30, 1999, the Company had $12,000,000 remaining available for future Puts under the Equity Line agreement.

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 investors at the same price as the shares of Common Stock sold in the Put.

At April 30, 1999, the Company had approximately $2,385,000 in cash and cash equivalents and a working capital deficit of approximately $2,791,000. The Company has experienced negative cash flows from operations since its inception and expects the negative cash flow from operations to continue for the foreseeable future. The Company expects operating expenditures related to clinical trials to increase in the future as the Company's clinical trial activity increases and scale-up for clinical trial production and radiolabeling continues. As a result of increased activities in connection with the clinical trials for Oncolym(R) and Tumor Necrosis Therapy (TNT), and the development costs associated with Vasopermeation Enhancement Agents (VEAs) and Vascular Targeting Agents (VTAs), the Company expects that the monthly negative cash flow will continue.

Without obtaining additional financing or entering into additional licensing arrangements for the Company's other product candidates, the Company believes that it has sufficient cash on hand and available pursuant to the Equity Line mentioned above, assuming the Company makes an additional quarterly draw of $2,250,000, to meet its obligations on a timely basis only through September, 1999.

NEW ACCOUNTING STANDARDS
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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 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.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A significant change in interest rates would not have a material adverse effect on the Company's financial position or results of operations due to the amount of cash on hand at April 30, 1999, which consists of highly liquid investments, and as the Company's debt instruments have fixed interest rates and terms.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the financial statements included in this Report at pages F-1 through F-27.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated herein by reference from the Company's definitive proxy statement for the Company's 1999 annual shareholders' meeting.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference from the Company's definitive proxy statement for the Company's 1999 annual shareholders' meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated herein by reference from the Company's definitive proxy statement for the Company's 1999 annual shareholder's meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) (1) Consolidated Financial Statements

The financial statements and schedules listed below are filed as part of this Report:

(2) Financial Statement Schedules

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NO.
3.1	Certificate of Incorporation of Techniclone Corporation, a Delaware corporation (Incorporated by reference to Exhibit B to the Company's 1996 Proxy Statement as filed with the Commission on or about August 20, 1996).	
3.2	Bylaws of Techniclone Corporation, a Delaware corporation (Incorporated by reference to Exhibit C to the Company's 1996 Proxy Statement as filed with the Commission on or about August 20, 1996).	
3.3	Certificate of Designation of 5% Adjustable Convertible Class C Preferred Stock as filed with the Delaware Secretary of State on April 23, 1997. (Incorporated by reference to Exhibit 3.1 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about May 12, 1997.)	
4.1	Form of Certificate for Common Stock (Incorporated by reference to the exhibit of the same number contained in Registrants' Annual Report on Form 10-K for the year end April 30, 1988)	
4.4	Form of Subscription Agreement entered into with Series B Convertible Preferred Stock Subscribers (Incorporated by reference to Exhibit 4.1 contained in Registrant's Report on Form 8-K dated December 27, 1995, as filed with the Commission on or about January 24, 1996)	
4.5	Registration Rights Agreement dated December 27, 1995, by and among Swartz Investments, Inc. and the holders of the Registrant's Series B Convertible Preferred Stock (incorporated by reference to Exhibit 4.2 contained in Registrant's Current Report on Form 8-K dated December 27, 1995 as filed with the Commission on or about January 24, 1996)	
4.6	Warrant to Purchase Common Stock of Registrant issued to Swartz Investments, Inc. (Incorporated by reference to Exhibit 4.3 contained in Registrant's Current Report on Form 8-K dated December 27, 1995 as filed with the Commission on or about January 24, 1996)	
4.7	5% Preferred Stock Investment Agreement between Registrant and the Investors (Incorporated by reference to Exhibit 4.1 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about May 12, 1997.)	
4.8	Registration Rights Agreement between the Registrant and the holders of the Class C Preferred Stock (Incorporated by reference to Exhibit 4.2 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about May 12, 1997.)	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NO.
4.9	Form of Stock Purchase Warrant to be issued to the holders of the Class C Preferred Stock upon conversion of the Class C Preferred Stock (Incorporated by reference to Exhibit 4.3 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about May 12, 1997.)	
4.10	Regulation D Common Equity Line Subscription Agreement dated June 16, 1998 between the Registrant and the Equity Line Subscribers named therein (Incorporated by reference to Exhibit 4.4 contained in Registrant's Current Report on Form 8-K dated as filed with the Commission on or about June 29, 1998)	
4.11	Form of Amendment to Regulation D Common Stock Equity Line Subscription Agreement (Incorporated by reference to Exhibit 4.5 contained in Registrant's Current Report on Form 8-K filed with the Commission on or about June 29, 1998)	
4.12	Registration Rights Agreement between the Registrant and the Subscribers (Incorporated by reference to Exhibit 4.6 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about June 29, 1998.)	
4.13	Form of Stock Purchase Warrant to be issued to the Equity Line Subscribers pursuant to the Regulation D Common Stock Equity Subscription Agreement (Incorporated by reference to Exhibit 4.7 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about June 29, 1998.)	
4.14	Placement Agent Agreement dated as of June 16, 1998, by and between the Registrant and Swartz Investments LLC, a Georgia limited liability company d/b/a Swartz Institutional Finance (Incorporated by reference to the exhibit contained in Registration's Registration Statement on Form S-3 (File No. 333-63773))	
4.15	Second Amendment to Regulation D Common Stock Equity Line Subscription Agreement dated as of September 16, 1998, by and among the Registrant, The Tail Wind Fund, Ltd. and Resonance Limited (Incorporated by reference to the exhibit contained in Registration's Registration Statement on Form S-3 (File No. 333-63773))	
10.22	1982 Stock Option Plan (Incorporated by reference to the exhibit contained in Registrant's Registration Statement on Form S-8 (File No. 2-85628)) *	
10.23	Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan - 1986 (Incorporated by reference to the exhibit contained in Registrant's Registration Statement on Form S-8 (File No. 33-15102))*	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NO.
10.24	Cancer Biologics Incorporated Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan - 1987 (Incorporated by reference to the exhibit contained in Registrant's Registration Statement on Form S-8 (File No. 33-8664))*	
10.25	Amendment to 1982 Stock Option Plan dated March 1, 1988 (Incorporated by reference to the exhibit of the same number contained in Registrants' Annual Report on Form 10-K for the year ended April 30, 1988)*	
10.26	Amendment to 1986 Stock Option Plan dated March 1, 1988 (Incorporated by reference to the exhibit of the same number contained in Registrant's Annual Report on Form 10-K for the year ended April 30, 1988)*	
10.31	Agreement dated February 5, 1996, between Cambridge Antibody Technology, Ltd. and Registrant (Incorporated by reference to Exhibit 10.1 contained in Registrant's Current Report on Form 8-K dated February 5, 1996, as filed with the Commission on or about February 8, 1996)	
10.32	Distribution Agreement dated February 29, 1996, between Biotechnology Development, Ltd. and Registrant (Incorporated by reference to Exhibit 10.1 contained in Registrant's Current Report on Form 8-K dated February 29, 1996, as filed with the Commission on or about March 7, 1996)	
10.33	Option Agreement dated February 29, 1996, by and between Biotechnology Development, Ltd. And Registrant (Incorporated by reference to Exhibit 10.2 contained in Registrant's Current Report on Form 8-K dated February 29, 1996, as filed with the Commission on or about March 7, 1996)	
10.35	Incentive Stock Option and Nonqualified Stock Option Plan-1993 (Incorporated by reference to the exhibit contained in Registrants' Registration Statement on Form S-8 (File No. 33-87662))*	
10.40	1996 Stock Incentive Plan (Incorporated by reference to the exhibit contained in Registrants' Registration Statement in form S-8 (File No. 333-17513))*	
10.41	Stock Exchange Agreement dated as of January 15, 1997 among the stockholders of Peregrine Pharmaceuticals, Inc. and Registrant (Incorporated by reference to Exhibit 2.1 to Registrants' Quarterly Report on Form 10-Q for the quarter ended January 31, 1997)	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NO.
10.42	First Amendment to Stock Exchange Agreement among the Stockholders of Peregrine Pharmaceuticals, Inc. and Registrant (Incorporated by reference to Exhibit 2.1 contained in Registrant's Current Report on Form 8-K as filed with the Commission on or about May 12, 1997)	
10.43	Termination and Transfer Agreement dated as of November 14, 1997 by and between Registrant and Alpha Therapeutic Corporation (Incorporated by reference to Exhibit 10.1 contained in Registrant's Current Report on Form 8-K as filed with the commission on or about November 24, 1997)	
10.44	Severance Agreement between Lon H. Stone and the Registrant dated July 28, 1998 (Incorporated by reference to the exhibit contained in Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1998, as filed with the SEC on or about December 15, 1998)	
10.45	Severance Agreement between William (Bix) V. Moding and the Registrant dated September 25, 1998 (Incorporated by reference to the exhibit contained in Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1998, as filed with the SEC on or about December 15, 1998)	
10.46	Option Agreement dated October 23, 1998 between Biotechnology Development Ltd. and the Registrant (Incorporated by reference to the exhibit contained in Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 1998, as filed with the SEC on or about December 15, 1998)	
10.47	Real Estate Purchase Agreement by and between Techniclone Corporation and 14282 Franklin Avenue Associates, LLC dated December 24, 1998 (Incorporated by reference to Exhibit 10.47 to Registrants' Quarterly Report on Form 10-Q for the quarter ended January 31, 1999)	
10.48	Lease and Agreement of Lease between TNCA, LLC, as Landlord, and Techniclone Corporation, as Tenant, dated as of December 24, 1998 (Incorporated by reference to Exhibit 10.48 to Registrants' Quarterly Report on Form 10-Q for the quarter ended January 31, 1999)	
10.49	Promissory Note dated as of December 24, 1998 between Techniclone Corporation (Payee) and TNCA Holding, LLC (Maker) for $1,925,000 (Incorporated by reference to Exhibit 10.49 to Registrants' Quarterly Report on Form 10-Q for the quarter ended January 31, 1999)	

EXHIBIT NUMBER	DESCRIPTION	SEQUENTIAL PAGE NO.
10.50	Pledge and Security Agreement dated as of December 24, 1998 for $1,925,000 Promissory Note between Grantors and Techniclone Corporation (Secured Party) (Incorporated by reference to Exhibit 10.50 to Registrants' Quarterly Report on Form 10-Q for the quarter ended January 31, 1999)	
10.51	Final fully-executed copy of the Regulation D Common Stock Equity Line Subscription Agreement dated as of June 16, 1998 between the Registrant and the Subscribers named therein	
10.52	Employment Agreement between Larry O. Bymaster and Registrant dated May 12, 1998*	***
10.53	Termination Agreement dated as of March 8, 1999 by and between Registrant and Biotechnology Development Ltd.	***
10.54	Secured Promissory Note for $3,300,000 dated March 8, 1999 between Registrant and Biotechnology Development Ltd.	***
10.55	Security Agreement dated March 8, 1999 between Registrant and Biotechnology Development Ltd.	***
10.56	License Agreement dated as of March 8, 1999 by and between Registrant and 23.1 Schering A.G., Germany**	***
21	Subsidiary of Registrant	***
23.1	Consent of Ernst & Young LLP, Independent Auditors	***
23.2	Consent of Deloitte & Touche LLP	***
27	Financial Data Schedule	***

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* This Exhibit is a management contract or a compensation plan or arrangement.

** Portions omitted pursuant to a request of confidentiality filed separately with the Commission.

*** Filed herewith

(b) Reports on Form 8-K:

Current Report on Form 8-K as filed with the Commission on March 18, 1999 reporting the dismissal of Deloitte & Touche LLP as the Company's principal independent public accountants.

Current Report on Form 8-K as filed with the Commission on April 16, 1999 reporting the engagement of Ernst & Young LLP as the Company's principal independent public accountants.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Dated: July 26, 1999

By: /s/ Larry O. Bymaster
Larry O. Bymaster, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ Larry O. Bymaster Larry O. Bymaster	President, Chief Executive Officer and Director (Principal Executive Officer)	July 26, 1999
/s/ Steven C. Burke Steven C. Burke	Chief Financial Officer and Secretary (Principal Financial and Principal Accounting Officer)	July 26, 1999
/s/ Thomas R. Testman Thomas R. Testman	Chairman of the Board	July 26, 1999
/s/ Rock Hankin Rock Hankin	Director	July 25, 1999
/s/ Carmelo J. Santoro, Ph.D. Carmelo J. Santoro, Ph.D.	Director	July 26, 1999
/s/ William C. Shepherd William C. Shepherd	Director	July 21, 1999
/s/ Clive R. Taylor, M.D., Ph.D. Clive R. Taylor, M.D., Ph.D.	Director	July 18, 1999

TECHNICLONE CORPORATION

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Techniclone Corporation

We have audited the accompanying consolidated balance sheet of Techniclone Corporation as of April 30, 1999 and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended. Our audit also included the financial statement schedule listed in the Index at Item 14(a) for the year ended April 30, 1999. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Techniclone Corporation at April 30, 1999, and the consolidated results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the year ended April 30, 1999, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The accompanying financial statements have been prepared assuming that Techniclone Corporation will continue as a going concern. As more fully described in Note 1, the Company's recurring losses from operations and working capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 1. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ ERNST & YOUNG LLP

Orange County, California
July 2, 1999

TECHNICLONE CORPORATION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Techniclone Corporation:

We have audited the accompanying consolidated balance sheet of Techniclone Corporation and its subsidiary (the Company) as of April 30, 1998 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the two years in the period ended April 30, 1998. Our audits also included the financial statement schedule listed in the index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Techniclone Corporation and subsidiary as of April 30, 1998, and the results of their operations and their cash flows for each of the two years in the period ended April 30, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

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

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
June 15, 1998

TECHNICLONE CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 1999 AND 1998

	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,385,000	$ 1,736,000
Other receivables, net of allowance for doubtful accounts of $201,000 (1999) and $175,000 (1998).	279,000	71,000
Inventories	57,000	46,000
Prepaid expenses and other current assets	280,000	304,000
Covenant not-to-compete with former officer	213,000	-
Total current assets	3,214,000	2,157,000
PROPERTY:		
Land	-	1,051,000
Buildings and leasehold improvements	71,000	6,227,000
Laboratory equipment	2,098,000	2,174,000
Furniture, fixtures and computer equipment	838,000	921,000
Construction-in-progress	-	524,000
	3,007,000	10,897,000
Less accumulated depreciation and amortization	(1,067,000)	(1,625,000)
Property, net	1,940,000	9,272,000
OTHER ASSETS:		
Note receivable	1,863,000	-
Note receivable from former officer	-	381,000
Other, net	353,000	229,000
Total other assets	2,216,000	610,000
TOTAL ASSETS	$ 7,370,000	$ 12,039,000

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 1999 AND 1998 (CONTINUED)

	1999	1998
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 898,000	$ 729,000
Deferred license revenue	3,000,000	-
Accrued clinical trial site fees	691,000	-
Notes payable	106,000	2,503,000
Accrued legal and accounting fees	314,000	584,000
Accrued royalties and license fees	310,000	540,000
Due to former officers under severance agreements	329,000	-
Other current liabilities	357,000	309,000
Total current liabilities	6,005,000	4,665,000
NOTES PAYABLE	3,498,000	1,926,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock- $.001 par value; authorized 5,000,000 shares:		
Class C convertible preferred stock, shares outstanding - 1999-121 shares; 1998-4,807 shares (liquidation preference of $121,000 at April 30, 1999)	-	-
Common stock-$.001 par value; authorized 120,000,000 shares; outstanding 1999 - 73,372,205 shares; 1998 -48,547,351 shares	73,000	49,000
Additional paid-in capital	90,779,000	78,423,000
Accumulated deficit	(92,678,000)	(72,639,000)
	(1,826,000)	5,833,000
Less notes receivable from sale of common stock	(307,000)	(385,000)
Total stockholders' equity (deficit)	(2,133,000)	5,448,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 7,370,000	$ 12,039,000

See accompanying notes to consolidated financial statements.

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 1999

	1999	1998	1997
COSTS AND EXPENSES:			
Research and development	$ 8,795,000	$ 7,644,000	$ 2,912,000
License fee	4,500,000	-	-
General and administrative	4,903,000	4,257,000	3,313,000
Loss on disposal of property	1,247,000	161,000	-
Interest	428,000	296,000	148,000
Purchased in-process research and development	-	-	27,154,000
Total costs and expenses	19,873,000	12,358,000	33,527,000
INTEREST AND OTHER INCOME	380,000	534,000	346,000
NET LOSS	$ (19,493,000)	$ (11,824,000)	$ (33,181,000)
Net loss before preferred stock accretion and dividends	$ (19,493,000)	$ (11,824,000)	$ (33,181,000)
Preferred stock accretion and dividends:			
Accretion of Class B and Class C preferred stock discount	(531,000)	(2,476,000)	-
Imputed dividends for Class B and Class C preferred stock	(15,000)	(965,000)	(544,000)
Net loss applicable to common stock	$ (20,039,000)	$ (15,265,000)	$ (33,725,000)
Weighted average shares outstanding	66,146,628	30,947,758	21,429,858
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.30)	$ (0.49)	$ (1.57)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 1999

	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	NOTES RECEIVABLE FROM SALE OF COMMON STOCK	NET STOCKHOLDERS' EQUITY (DEFICIT)
BALANCES, MAY 1, 1996	6,800	$ -	20,048,014	$ 20,000	$ 33,070,000	$(23,649,000)	$ (477,000)	$ 8,964,000
Class C preferred stock issued for cash, net of issuance costs of $931,000	12,000				11,069,000			11,069,000
Accretion of Class B and Class C preferred stock dividends					544,000	(544,000)		
Common stock issued upon conversion of Class B preferred stock	(4,600)		1,587,138	1,000	(1,000)			
Common stock issued for acquisition of subsidiary			5,080,000	5,000	26,665,000			26,670,000
Common stock issued upon exercise of stock options			533,500	1,000	272,000			273,000
Stock-based compensation					773,000			773,000
Net loss						(33,181,000)		(33,181,000)
BALANCES, APRIL 30, 1997	14,200	-	27,248,652	27,000	72,392,000	(57,374,000)	(477,000)	14,568,000
Accretion of Class B and Class C preferred stock dividends and discount	448				3,429,000	(3,441,000)		(12,000)
Preferred stock issued upon exercise of Class C Placement Agent Warrant, net of offering costs of $115,000	670				555,000			555,000
Additional consideration on Class C preferred stock	325				325,000			325,000
Common stock issued upon conversion of Class B and Class C preferred stock	(10,836)		19,931,282	20,000	(20,000)			
Common stock issued for cash and upon exercise of options and warrants			1,291,794	1,000	1,210,000			1,211,000
Common stock issued for services and interest			75,623	1,000	94,000			95,000
Stock-based compensation					438,000			438,000
Reduction of notes receivable							92,000	92,000
Net loss						(11,824,000)		(11,824,000)
BALANCES, APRIL 30, 1998	4,807	-	48,547,351	49,000	78,423,000	(72,639,000)	(385,000)	5,448,000
Accretion of Class C preferred stock dividends and discount					531,000	(546,000)		(15,000)
Preferred stock issued upon exercise of Class C Placement Agent Warrant	530				530,000			530,000
Common stock issued for cash under Equity Line Agreement, net of offering costs of $678,000			6,656,705	6,000	5,066,000			5,072,000
Common stock issued upon conversion of Class C warrants and Equity Line warrants			5,909,015	6,000	3,635,000			3,641,000
Common stock issued upon conversion of Class C preferred stock	(5,216)		9,428,131	9,000	(9,000)			
Common stock issued for cash upon exercise of options and warrants			528,034	1,000	316,000			317,000
Common stock issued for services, license rights, interest, and under severance agreements			2,302,969	2,000	1,832,000			1,834,000
Stock-based compensation					455,000			455,000
Reduction of notes receivable							78,000	78,000
Net loss						(19,493,000)		(19,493,000)
BALANCES, APRIL 30, 1999	121	$ -	73,372,205	$ 73,000	$ 90,779,000	$(92,678,000)	$ (307,000)	$(2,133,000)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 1999

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (19,493,000)	$ (11,824,000)	$ (33,181,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Purchased in-process research and development	-	-	27,154,000
Buyback of licensing rights	4,500,000	-	-
Depreciation and amortization	1,046,000	706,000	349,000
Loss on disposal of long-term assets	1,247,000	201,000	-
Stock-based compensation expense and common stock issued for interest, services, and under severance agreements	1,089,000	533,000	773,000
Severance expense	414,000	-	-
Reserve for contract loss, net of inventory write-off	-	(156,000)	-
Additional consideration on Class C preferred stock	-	325,000	-
Changes in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Other receivables, net	(161,000)	289,000	61,000
Inventories, net	(11,000)	33,000	(78,000)
Prepaid expenses and other current assets	24,000	(284,000)	(3,000)
Accounts payable and other accrued liabilities	(200,000)	324,000	562,000
Accrued clinical trial site fees	691,000	-	-
Deferred license revenue	3,000,000	-	-
Net cash used in operating activities	(7,854,000)	(9,853,000)	(4,363,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenses paid for acquisition of subsidiary, net of cash acquired	-	-	(77,000)
Sale of short-term investments	-	-	3,899,000
Proceeds from sale of property	3,924,000	-	-
Purchases of property	(542,000)	(2,874,000)	(3,284,000)
Payments on (issuance of) notes receivable	15,000	(24,000)	(357,000)
Increase in other assets	(335,000)	(46,000)	(85,000)
Net cash provided by (used in) investing activities	3,062,000	(2,944,000)	96,000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from sale of preferred stock	530,000	555,000	11,069,000
Net proceeds from issuance of common stock	9,030,000	1,211,000	273,000
Payment of Class C preferred stock dividends	(15,000)	(12,000)	-
Payments on notes receivable from sale of common stock	78,000	52,000	-
Principal payments on notes payable	(4,382,000)	(100,000)	(45,000)
Proceeds from issuance of notes payable	200,000	598,000	1,020,000
Net cash provided by financing activities	5,441,000	2,304,000	12,317,000

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 1999 (CONTINUED)

	1999	1998	1997
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 649,000	$ (10,493,000)	$ 8,050,000
CASH AND CASH EQUIVALENTS, Beginning of year	1,736,000	12,229,000	4,179,000
CASH AND CASH EQUIVALENTS, End of year	$ 2,385,000	$ 1,736,000	$ 12,229,000
SUPPLEMENTAL INFORMATION:			
Acquisition of subsidiary:			
Fair value of assets acquired			$ 27,154,000
Common stock issued			(26,670,000)
Net liabilities assumed			$ 484,000
Interest paid	$ 203,000	$ 258,000	$ 132,000
Schedule of non-cash investing and financing activities:			
Purchase of laboratory equipment for notes payable	$ 57,000		
Note receivable from sale of property	$ 1,925,000		

For supplemental information relating to conversion of preferred stock into common stock, common stock issued in exchange for services, forgiveness of note receivable from officer and noncash expenses under severance arrangements, common stock issued upon acquisition of subsidiary and other noncash transactions, see Notes 3, 4, 5, 6, 7, 8, 9 and 10.

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND BUSINESS DESCRIPTION

ORGANIZATION - Techniclone Corporation ("Techniclone or the Company") was incorporated in the state of Delaware on September 25, 1996. On March 24, 1997, Techniclone International Corporation, a California corporation, (predecessor company incorporated in June 1981) was merged with and into Techniclone Corporation. Techniclone has one wholly owned subsidiary, Peregrine Pharmaceuticals, Inc., a Delaware corporation (Note 3).

BUSINESS DESCRIPTION - Techniclone is a biopharmaceutical company engaged in the research, development and commercialization of targeted cancer therapeutics. The Company develops product candidates based primarily on proprietary collateral (indirect) tumor targeting technologies for the treatment of solid tumors and a direct tumor targeting agent for the treatment of refractory malignant lymphoma.

GOING CONCERN - The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the consolidated financial statements, the Company experienced a loss of $19,493,000 during the year ended April 30, 1999, and had a cash and cash equivalents balance of $2,385,000 and an accumulated deficit of $92,678,000 at April 30, 1999. 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 revenue from the sale and/or licensing of its products. The Company plans to obtain required financing through one or more methods, including obtaining additional equity or debt financing and negotiating additional licensing or collaboration agreements with another company. There can be no assurance that the Company will be successful in raising such funds on terms acceptable to it, or at all, or that sufficient additional capital will be raised to complete the research and development of the Company's product candidates. The Company's future success is dependent upon raising additional monies to provide for the necessary operations of the Company. If the Company is unable to obtain additional financing, there would be a material adverse effect on the Company's business, financial position and results of operations. The Company's continuation as a going concern is dependent on its ability to generate sufficient cash flows to meet its obligations on a timely basis, to obtain additional financing as may be required and, ultimately, to attain profitable operations.

Subsequent to April 30, 1999, the Company received gross proceeds of approximately $2,250,000 under the Regulation D Common Stock Equity Line Agreement ("Equity Line Agreement") in exchange for 2,515,919 shares of the Company's common stock, including commission shares. At June 30, 1999, the Company had $12,000,000 available to draw upon under the Equity Line Agreement, subject to certain limitations (Note 9).

Without obtaining additional financing, the Company believes that it has sufficient cash on hand and available pursuant to the Equity Line Agreement, assuming the Company makes an additional quarterly draw of $2,250,000, to meet its obligations on a timely basis through September, 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Peregrine Pharmaceuticals, Inc. (Peregrine). All intercompany balances and transactions have been eliminated.

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

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

PROPERTY - Property is recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related asset. Generally, the estimated useful lives are 5 to 25 years for buildings, building improvements and leasehold improvements and three to seven years for laboratory equipment, furniture and fixtures, and computer equipment and software.

IMPAIRMENT -The Company assesses recoverability of its long-term assets by comparing the remaining carrying value to the value of the underlying collateral or the fair market value of the related long-term asset based on undiscounted cash flows.

PREFERRED STOCK DIVIDENDS - Dividends on Class B and Class C Stock are accreted over the life of the preferred stock and are based on the stated dividend rate (10% for the Class B and 5% for the Class C) plus the dividend amount attributable to the discount at the issuance date. To the extent that unconverted shares of Class B and Class C Stock remain outstanding, the value of the dividend is remeasured and recorded on each date that the conversion rate changes.

REVENUE RECOGNITION - Revenues related to licensing agreements (Note 8) are recognized when cash has been received and all obligations of the Company have been met, which is generally upon the transfer of the technology license or other rights to the licensee. During fiscal year 1999, the Company received an initial up-front license payment of $3,000,000 from Schering A.G., Germany in exchange for the Oncolym(R) marketing and distributions rights (Note 8).

FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying amounts of cash and cash equivalents, other receivables, accounts payable and accrued liabilities approximate their fair values because of the short maturity of these financial instruments. Notes receivable approximate fair value as the interest rates charged approximate currently available market rates. Based on the borrowing rates currently available to the Company for debt with similar terms and maturities, the fair value of notes payable approximates the carrying value of these liabilities.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS - Net loss per share attributable to common stockholders is calculated by taking the net loss for the year and deducting the dividends and Preferred Stock issuance discount accretion on the Class B Preferred Stock and the Class C Preferred Stock during the year and dividing the sum of these amounts by the weighted average number of shares of common stock outstanding during the year. Because the impact of options, warrants, and other convertible instruments are antidilutive, there is no difference between basic and diluted loss per share amounts for the three years in the period ended April 30, 1999. The Company has excluded the following shares issuable upon the exercise of common stock warrants and options and conversions of outstanding Preferred Stock and Preferred Stock dividends from the three years ended April 30, 1999 per share calculation because their effect is antidilutive:

	1999	1998	1997
Common stock equivalent shares assuming issuance of shares represented by outstanding stock options and warrants utilizing the treasury stock method	2,927,725	3,840,220	1,673,849
Common stock equivalent shares assuming issuance of shares upon conversion of preferred stock and Class C placement agent warrants utilizing the if-converted method	613,035	24,117,127	1,119,864

The common stock equivalent shares assuming issuance of shares upon conversion of preferred stock and Class C placement agent warrants were calculated assuming conversion of preferred stock at the beginning of the year or at the issuance date, if later. Additionally, the stock was assumed converted rather than redeemed, as it is the Company's intention not to redeem the preferred stock for cash. The preferred stock is not considered a common stock equivalent.

INCOME TAXES - The Company utilizes the liability method of accounting for income taxes as set forth in Statement of Financial Accounting Standards (SFAS) No. 109, ACCOUNTING FOR INCOME TAXES. Under the liability method, deferred taxes are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized.

RECLASSIFICATION - Certain amounts in the 1998 and 1997 consolidated financial statements have been reclassified to conform to the current year presentation.

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 fiscal years ended April 30, 1999, 1998 and 1997, the Company did not have any components of comprehensive income as defined in SFAS No. 130.

The Company adopted SFAS No. 131, "DISCLOSURE ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION" on May 1, 1998. SFAS No. 131 established standards of reporting by publicly held businesses and disclosures of information about operating segments in annual financial statements, and to a lesser extent, in interim financial reports issued to stockholders. The adoption of SFAS No. 131 had no impact on the Company's consolidated financial statements as the Company operates in one industry segment engaged in the research, development and commercialization of targeted cancer therapeutics.

During June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES" which will be effective for the Company beginning May 1, 2001. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments imbedded in other contracts, and for hedging activities. It requires an entity 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.

3. ACQUISITION OF SUBSIDIARY

On April 24, 1997, the Company acquired all of the outstanding stock of Peregrine Pharmaceuticals, Inc. in exchange for 5,080,000 shares of the Company's common stock and the assumption of net liabilities of $484,000. Peregrine was a development stage company involved in the research and development of Vascular Targeting Agents. The acquisition was accounted for as a purchase. The excess of the purchase price over net tangible assets acquired (cash and notes receivable) and liabilities assumed (accounts payable and accrued liabilities) represents the difference between the fair value of the Company's common stock exchanged and the fair value of net assets purchased. The excess purchase price of $27,154,000 over the net tangible assets acquired represents the amount paid for acquired technologies and related intangible assets. This excess purchase price was charged to operations as of the effective date of the acquisition as purchased in-process research and development as the related technologies have not reached technological feasibility.

Had the acquisition of Peregrine occurred on May 1, 1996, pro forma net loss and loss per common share for fiscal year 1997 would have been $35,127,000 and $1.33, respectively (unaudited). Revenues for fiscal year 1997 would not have changed had the acquisition occurred on May 1, 1996.

4. NOTES RECEIVABLE

During December 1998, the Company completed the sale and subsequent leaseback of its two facilities (Note 5) and recorded an initial note receivable from buyer of $1,925,000. The unpaid principal balance of $1,910,000 at April 30, 1999 bears interest at 7.0% per annum through December 1, 2001 and 7.5% thereafter and is collaterized under the Security and Pledge Agreement. The note receivable is amortized over 20 years and is due upon the earlier of 12 years or upon the sale of related facilities.

Note receivable from former officer of $381,000 at April 30, 1998 represents the unamortized portion of an original $350,000 note and interest charges thereon which is collateralized by real estate. During fiscal year 1999, the Company entered into a severance agreement with the former officer (Note 7) whereby the Company agreed that if the former officer did not compete with the Company during the period beginning March 1, 1998 through February 29, 2000, the Company will, on March 1, 2000, forgive an amount equal to his principal note of $350,000 and interest thereon. The Company is amortizing the note receivable and accrued interest charges over the period not-to-compete as a non-cash expense included in general and administrative expenses in the accompanying financial statements. The covenant not-to-compete with the former officer of $213,000 at April 30, 1999 represents the unamortized portion of the original $381,000 note receivable and accrued interest charges.

5. PROPERTY

On December 24, 1998, the Company completed the sale and subsequent leaseback of its two facilities with an unrelated entity. The aggregate sales price of the two facilities was $6,100,000, comprised of $4,175,000 in cash and a note receivable of $1,925,000. In accordance with SFAS No. 98, the Company accounted for the sale and subsequent leaseback transaction as a sale and removed the net book value of land, buildings and building improvements of $7,014,000 from the consolidated financial statements and recorded a loss on sale of $1,171,000, which included expenses of $257,000 related to the sale.

6. NOTES PAYABLE

During December 1998, the Company borrowed $200,000 from an unrelated entity. The note is unsecured, bears interest at 7.0% per annum and is payable over three years. Principal and interest payments of $6,000 are due monthly.

On March 8, 1999, the Company entered into a Termination Agreement with Biotechnology Development Ltd. and re-acquired the Oncolym(R) distribution rights (Note 8). In conjunction with the Termination Agreement, the Company issued a note payable for $3,300,000 due and payable on March 1, 2001. The note payable bears simple interest at a rate of 10% per annum, payable monthly. The note is 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.

During fiscal year 1998, in conjunction with upgrading the Company's manufacturing facilities, the Company issued a short-term note payable to a construction contractor for $2,385,000. The note payable was issued in exchange for $1,885,000 of accounts payable due to the contractor and cash proceeds of $500,000 for working capital purposes. Under the terms of the short-term note agreement, the Company issued 82,235 and 65,000 shares of common stock for interest charges in fiscal year 1999 and 1998, respectively. In conjunction with the financing, the Company issued two warrants, expiring through July 2001, to purchase an aggregate of 335,000 shares of the Company's common stock at an average price of $.79 per share (Note 8). The value of the warrants was based on a Black-Scholes formula after considering the terms in the related warrant agreements. During fiscal year 1999 and 1998, the Company recorded $115,000 and $45,000 as interest expense for the fair value of the related warrants. In August 1998, the note payable of $2,385,0000 was paid in full.

In April 1996 and October 1996, the Company entered into two separate note agreements for $1,020,000 each to finance the purchase of two buildings used as its operating and administrative facilities. The two notes, which bore interest at LIBOR plus 4.25%, were paid in full on December 24, 1998 upon the sale of the two facilities.

In addition, the Company has entered into various note agreements with aggregate amounts due of $254,000 to finance laboratory equipment that bear interest at rates between 10% and 10.9% and require aggregate monthly payments of $6,000 through June 2002.

Minimum principal payments on notes payable as of April 30, 1999 are as follows:

Year ending April 30:	
2000	$ 106,000
2001	3,410,000
2002	86,000
2003	2,000
	$ 3,604,000

7. COMMITMENTS AND CONTINGENCIES

OPERATING LEASE. In December 1998, the Company sold and subsequently leased back its two facilities in Tustin, California. The lease has an original lease term of twelve years with two 5-year renewal options and includes scheduled rental increases of 3.35% every two years. Rent expense under the lease agreement totaled $269,000 for fiscal year 1999. At April 30, 1999, future minimum lease payments under the noncancelable operating lease are as follows:

Year ending April 30:	
2000	$ 675,000
2001	684,000
2002	698,000
2003	707,000
2004	721,000
Thereafter	5,109,000
	$ 8,594,000

SEVERANCE AGREEMENTS. In July 1998, the Company entered into a severance agreement with its former Chief Executive Officer (CEO). The severance agreement provides for the former CEO to be paid $300,000 a year for the period beginning March 1, 1998 through March 1, 2000. Unexercised and unvested outstanding stock options on March 1, 1998, will vest and be paid as follows: one-third of the unexercised, unvested options outstanding on March 1, 1998 (or 329,667 options) will vest immediately and be paid to the former CEO on December 31, 1998; one-third of the unexercised, unvested and outstanding options on March 1, 1998 (or 329,667 options), will vest on March 1, 1999 and be paid on December 31, 1999; and one-third of the unexercised, unvested and outstanding options on March 1, 1998 (or 329,666 options), will vest and be paid on March 1, 2000. In addition, the Company will make income tax payments, at the bonus rate, to the appropriate taxing authorities. During the employment period, beginning on March 1, 1998 and ending on March 1, 2000, the former CEO will, with certain exceptions, be eligible for Company benefits. Pursuant to the severance agreement, the former CEO will be available to work for the Company for a minimum of 25 hours per week. In addition, the Company agreed that if the former CEO did not compete during the period beginning March 1, 1998 and ending February 29, 2000, the Company will, on March 1, 2000, forgive the former CEO an amount equal to his note of $350,000, plus all accrued interest thereon (Note 4). Through April 30, 1999, the Company expensed approximately $948,000, of which, $595,000 was non-cash, for related severance costs, which has been included in general and administrative expenses in the accompanying consolidated financial statements. At April 30, 1999, future cash commitments under the severance agreement amounted to $312,000.

On October 4, 1998, the Company's former Vice President of Operations and Administration resigned to pursue other personal and business interests. In connection with his resignation, the Company entered into a severance agreement whereby the former Vice President of Operations and Administration will provide consulting services to the Company as an independent consultant for a fixed and non-cancelable period of sixteen months continuing until January 31, 2000, in consideration of a monthly consulting fee of $12,500 and the issuance of an aggregate of 320,000 shares of Common Stock during such period for the exercise of outstanding stock options, without the requirement of any payment of the exercise price ($.60 per share). As of April 30, 1999, 240,000 shares of common stock have been issued to the former Vice President of Operations and Administration under the severance agreement. In addition, the Company has agreed to make tax payments totaling $65,280 to federal and state taxing authorities to offset the income to the former Vice President of Operations and Administration resulting from the non-payment of the exercise price for such options. Pursuant to the agreement, the former Vice President of Operations and Administration will be required to repay the Company the entire outstanding principal balance and accrued interest thereon under two stock option exercise notes totalling $154,000 on January 31, 2000. Through April 30, 1999, the Company expensed approximately $301,000, of which, $165,000 was non-cash, for related severance costs, which has been included in general and administrative expenses in the accompanying consolidated financial statements. At April 30, 1999, future cash commitments under the severance agreement amounted to $122,000.

EMPLOYMENT AGREEMENT. The Company has a two-year employment agreement with its current Chief Executive Officer. At April 30, 1999, future fixed cash commitments under this agreement amounts to $250,000 and $10,000 for the fiscal years ending April 30, 2000 and 2001, respectively.

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

8. LICENSE, RESEARCH AND DEVELOPMENT AGREEMENTS

ONCOLYM(R)

On March 8, 1999, the Company entered into a License Agreement with Schering A.G., Germany, whereby Schering A.G., Germany was granted the exclusive, worldwide right to market and distribute Oncolym(R) products, in exchange for an initial payment of $3,000,000, a further payment of $2,000,000 following the acceptance by the FDA for filing of the first drug approval application for Oncolym(R) in the United States, a further payment of $7,000,000 following regulatory approval of Oncolym(R) in the United States and two final payments of $2,500,000 each following regulatory approval of Oncolym(R) in any country in Europe and upon the first commercial sale of Oncolym(R) in any

country in Europe. The Company will also receive a royalty of up to twelve percent (12%) of net sales of Oncolym(R) products. Schering A.G., Germany is required to pay eighty percent (80%) of all clinical trial expenses. The License Agreement with Schering A.G., Germany is subject to certain other conditions and may be terminated by Schering A.G., Germany for a number of reasons, including upon thirty days' written notice given at any time prior to receiving regulatory approval. If Schering A.G., Germany terminates the License Agreement Schering A.G., Germany may remain obligated to pay for all of the costs of completing all then ongoing clinical trials for Oncolym(R), up to $3,000,000, depending on the basis for termination. Under the License Agreement, the Company received $3,000,000 during fiscal year 1999, which was included in deferred license revenue in the accompanying consolidated financial statements at April 30, 1999 and will be recognized as license revenue when all obligations of the Company have been met. Pursuant to the License Agreement, the Company and Schering A.G., Germany have also agreed to a structure for proceeding with negotiations concerning the terms of a possible licensing of the Company's Vascular Targeting Agent ("VTA") technology in the near future.

Also in March, 1999, the Company entered into a Termination Agreement with Biotechnology Development, Ltd. ("BTD"), pursuant to which the Company terminated all previous agreements with BTD and thereby reacquired the marketing rights to Oncolym(R) products in Europe and certain other designated foreign countries. In exchange for these rights, the Company expensed $4,500,000 as a license fee in fiscal year 1999, which was comprised of a secured promissory note payable in the amount of $3,300,000 and shares of common stock equal to $1,200,000, or 1,523,809 common shares. The number of shares of common stock issued was calculated by taking $1,200,000 divided by ninety percent (90%) of the market price of the Company's common stock as defined in the Termination Agreement. In addition, the Company issued warrants to purchase up to 3,700,000 shares of common stock at an exercise price of $3.00 per share exercisable through March 2002 and issued warrants to purchase up to 1,000,000 shares of common stock at an exercise price of $5.00 per share exercisable through March 2004. The warrants were measured utilizing the Black-Scholes option valuation model (Note 10).

In November 1997, the Company entered into a Termination and Transfer Agreement with Alpha Therapeutic Corporation (Alpha), whereby the Company reacquired the rights for the development, commercialization and marketing Oncolym(R) in the United States and certain other countries, previously granted to Alpha in October 1992. Under the terms of the Termination and Transfer Agreement, the Company paid Alpha $260,000 upon signing of the agreement and paid an additional $250,000 upon enrollment of the first clinical trial patient by the Company. In addition, the Company has contingent obligations to pay (i) $1,000,000 upon filing of a Biologics License Application ("BLA") and (ii) $1,000,000 upon FDA approval of a BLA by the Food and Drug Administration, and (iii) royalties equal to 2% of net sales for product sold in North, South and Central America and Asia for five (5) years after commercialization of the product. Under the Termination and Transfer Agreement, $510,000 was expensed in fiscal year 1998 and no amounts were due and payable at April 30, 1999.

On October 28, 1992, the Company entered into an agreement with an unrelated corporation (licensee) to terminate a previous license agreement relating to Oncolym(R). The termination agreement provides for maximum payments of $1,100,000 to be paid by the Company based on achievement of certain milestones, including royalties on net sales. At April 30, 1999, the Company had paid $100,000 and accrued for another $100,000 relating to the termination agreement. There have been no sales of the related products through April 30, 1999. Future maximum commitments under the agreement are $900,000.

In 1985, the Company entered into a research and development agreement with Northwestern University and its researchers to develop Oncolym(R). The Company holds an exclusive world-wide license to manufacture and market products using the Oncolym(R) antibodies. In exchange for the world-wide license to manufacture and market the products, the Company will pay royalties to Northwestern University of up to 6% of net sales (as defined in the agreement). The Company is currently in negotiations with Northwestern University to reduce this royalty rate to 3% of net sales and extend the period of time the reduced royalty rate would apply.

TUMOR NECROSIS THERAPY (COTARA(TM))

In February 1996, the Company entered into a joint venture agreement with Cambridge Antibody Technology, Inc. (CAT), an unrelated entity, which provides for the co-sponsorship of development and clinical testing of chimeric and human TNT antibodies. As part of the joint venture agreement, CAT maintained the responsibility to construct human TNT antibodies for future joint clinical development and testing. A human TNT antibody was completed by CAT in early 1998. The agreement also provided that equity in the joint venture and costs associated with the development of TNT based products would be shared equally and the Company would retain exclusive world-wide manufacturing rights. In May 1998, the Company and CAT elected to discontinue the co-sponsorship of the development of the TNT antibodies and the Company assumed full responsibility to fund development and clinical trials of the TNT antibody. As a result of the modification in the joint venture agreement, royalties on future sales of products which use the TNT antibody have been decreased to be no more than 12.5%. The Company and CAT are currently in negotiations regarding modifications to the joint venture arrangement.

The Company has arrangements with certain third parties to acquire licenses needed to produce and commercialize chimeric and human antibodies, including the Company's TNT antibody. Management believes terms of the licenses will not significantly impact the cost structure or marketability of chimeric or human TNT based products.

VASCULAR TARGETING AGENTS

In April 1997, in conjunction with the acquisition of Peregrine, the Company gained access to certain exclusive licenses for Vascular Targeting Agents (VTAs) technologies. In conjunction with obtaining certain exclusive licenses for Vascular Targeting Agents (VTAs) technologies from Peregrine, the Company will be required to pay (i) annual patent maintenance fees of $50,000, (ii) an aggregate of $587,500 upon attainment of defined milestones and (iii) an aggregate of $450,000 upon commercial introduction of the products which will be off-set against future royalties payments. In addition, the Company must pay royalties ranging from 2% to 4% of net sales of the related products. If the products are sublicensed, the Company must pay royalties up to 25% on the sublicense revenues received by the Company. No revenues have been generated from the Company's VTA technology. In connection with the Company's agreement with Schering A.G., Germany for Oncolym(R), Schering A.G., Germany has agreed to discuss with the Company the development and commercialization of VTAs.

VASOPERMEATION ENHANCEMENT AGENTS AND OTHER LICENSES

Prior to fiscal year 1996, the Company had entered into several license and research and development agreements with a university for the exclusive, worldwide licensing rights to use certain patents and technologies in exchange for fixed and contingent payments and royalties ranging from 2% to 6% of net sales of the related products. Some of the agreements are terminable at the discretion of the Company while others continue through 2001. Minimum future royalties under these agreements are $84,500 annually. Royalties related to these agreements amounted to $84,500 for fiscal year 1999 and $86,500 for fiscal years 1998 and 1997.

9. STOCKHOLDERS' EQUITY

CLASS B PREFERRED STOCK

During December 1995, the Company issued 8,200 shares of nonvoting Class B preferred stock (Class B Stock), at a price of $1,000 per share, for net proceeds of $7,138,000. The number of shares of common stock issued upon conversion of each share of Class B Stock is determined by (i) taking ten percent (10%) of One Thousand Dollars ($1,000) pro-rated on the basis of a 365 day year, by the number of days the Class B Stock is outstanding plus (ii) One Thousand Dollars ($1,000), (iii) divided by the lower of $3.06875, the fixed conversion price, or 85% of the average closing bid price for the Company's common stock for the five trading days immediately preceding the conversion date (the "Conversion Price"). At May 1, 1997, there were 6,800 shares of Class B preferred stock outstanding. During fiscal years 1998 and 1997, 2,200 and 4,600 shares of Class B Stock were converted into 4,388,982 and 1,587,138 common shares, respectively. The Company recorded $224,000 and $536,000 in Class B Stock dividends during the fiscal years ended April 30, 1998 and 1997, respectively. At April 30, 1998, there were no remaining shares of Class B Stock outstanding.

CLASS C PREFERRED STOCK

On April 25, 1997, the Company entered into a 5% Preferred Stock Investment Agreement and sold 12,000 shares of 5% Adjustable Convertible Class C Preferred Stock (the Class C Stock) for net proceeds of $11,069,000. The holders of the Class C Stock do not have voting rights, except as provided under Delaware law, and the Class C Stock is convertible into common stock.

Commencing on September 26, 1997, the Class C Stock was convertible at the option of the holder into a number of shares of common stock of the Company determined by dividing $1,000 plus all accrued but unpaid dividends by the Conversion Price. The Conversion Price is the lower of $.5958 (Conversion Cap) per share or the average of the lowest trading price of the Company's common stock for the five consecutive trading days ending with the trading day prior to the conversion date reduced by an increasing percentage discount. The discount ranged from 13% beginning on November 26, 1997 and reached a maximum discount percentage of 27% on July 26, 1998.

In conjunction with the 5% Preferred Stock Investment Agreement, the Placement Agent was granted a warrant to purchase up to 1,200 shares of Class C Stock at $1,000 per share. During fiscal year 1999 and 1998, the Placement Agent purchased 530 and 670 shares of Class C Stock for gross proceeds of $530,000 and $670,000, respectively.

In accordance with the Agreement, upon conversion of the Class C Stock into common stock, the preferred stockholders were granted warrants to purchase one-fourth of the number of shares of common stock issued upon conversion. The warrants are exercisable at $0.6554, or 110% of the Conversion Cap and expire in April 2002. No value has been ascribed to these warrants, as the warrants are considered non-detachable. During fiscal years 1999 and 1998, warrants to purchase 2,357,019 and 3,885,515 shares were issued upon conversion of 5,216 and 8,636 shares of Class C Stock, respectively. During fiscal year ended April 30, 1999, 6,207,290 warrants were exercised on a combined cash and cashless basis in exchange for 5,894,733 shares of common stock and proceeds to the Company of $3,641,000. Under the terms of the warrant agreement, the Company has the right to redeem the warrants for $.01 per share, provided that the Company's closing bid price exceeds amounts specified in the agreement for specified periods. At April 30, 1999, 35,244 Class C warrants were outstanding (Note 10).

Beginning September 30,1997, the dividends on the Class C Stock are payable quarterly in shares of Class C Stock or, at the option of the Company, in cash, at the rate of $50.00 per share per annum. During fiscal year 1999, 1998 and 1997, the Company recorded $15,000, $742,000 and $8,000 in Class C Stock dividends, respectively. The dividends recorded of $742,000 during fiscal year 1998 included 448 shares of Class C Stock issued as dividend shares.

During fiscal year 1998, the Registration Statement required to be filed by the Company pursuant to the agreement was not declared effective by the 180th day following the Closing Date, and therefore, the Company issued an additional 325 shares of Class C Stock, calculated in accordance with the terms of the agreement.

During fiscal year 1999 and 1998, 5,216 and 8,636 shares of Class C Stock were converted into 9,428,131 and 15,542,300 common shares.

The Class C Stock agreement included a provision for conversion of the preferred stock into common stock at a discount during the term of the agreements. As a result of these conversion features, the Company is accreting an amount from accumulated deficit to additional paid-in capital equal to the Preferred Stock discount. The Preferred Stock discount was computed by taking the difference between the fair value of the Company's common stock on the date the Class C Preferred Stock agreement was finalized and the conversion price, assuming the maximum discount allowable under the terms of the agreement, multiplied by the number of common shares into which the preferred stock would have been convertible into (assuming the maximum discount allowable). The Preferred Stock discount is being amortized over the period from the date of issuance of the Preferred Stock to the Conversion or discount period (or sixteen months) using the effective interest method. If preferred stock conversions occur before the maximum discount is available, the discount amount is adjusted to reflect the actual discount. During fiscal year 1999 and 1998, the Company recorded $531,000 and $2,475,000 for the Class C Stock discount, respectively.

COMMON STOCK EQUITY LINE AGREEMENT

During June 1998, the Company secured access to $20,000,000 under a Common Stock Equity Line ("Equity Line") with two institutional investors, expiring in June 2001. Under the terms of the Equity Line, the Company may, in its sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of the Company's common stock for up to $20,000,000 upon the effective registration of the Put shares, which occurred on January 15, 1999. After effective registration for the Put shares, unless an increase is otherwise agreed to, $2,250,000 of Puts can be made every quarter, subject to share

issuance volume limitations identical to the share resale limitations set forth in Rule 144(e). In addition, if the Company's closing bid price falls below $1.00 on any day during the ten trading days prior to the Put, the Company's ability to access funds under the Equity Line in the Put is limited to 15% of what would otherwise be available. If the closing bid price of the Company's common stock falls below $0.50 or if the Company is delisted from The Nasdaq SmallCap Market, the Company would have no access to funds under the Equity Line.

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

The Equity Line provided for immediate funding of $3,500,000 in exchange for 2,749,090 shares of common stock, including commission shares. One-half of this amount, or $1,750,000, is subject to adjustment at three months after the effective date of the registration statement registering these shares with the second half subject to adjustment six months after such effective date of the registration of these shares. At each adjustment date, if the market price at the three or six month period ("Adjustment Price") is less than the initial price paid for the common stock, the Company will be required to issue additional shares of its common stock equal to the difference between the amount of shares actually issued and the amount of shares which would have been issued if the purchase price had been the Adjustment Price. On April 15, 1999, the Company issued 881,481 shares of common stock covering the initial three month adjustment date.

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

At the time of each Put, the investors will be issued warrants, exercisable only on a cashless basis and expiring on December 31, 2004, to purchase up to 10% of the amount of common stock issued to the investor at the same price as the purchase of the shares sold in the Put. During fiscal year 1999, the Company issued 566,953 warrants under the Equity Line at an average exercise price of $1.14. During February 1999, the Company issued 14,282 shares of common stock upon the cashless exercise of 52,173 Equity Line warrants.

On February 2, 1999, the Company exercised a Put option under the Equity Line and received gross proceeds of $2,250,000 in exchange for 2,869,564 shares of common stock, including commission shares.

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

OTHER EQUITY ARRANGEMENTS

In April 1999, the Company issued 1,523,809 shares of common stock under a Termination Agreement with Biotechnology Development, Ltd., pursuant to which the Company terminated all previous agreements with BTD and thereby reacquired the marketing rights to the Oncolym(R) products in Europe and certain other designated foreign countries (Note 8).

During fiscal year 1999, the Company issued a total of 569,667 shares of common stock under two separate severance agreements (Note 7).

In fiscal year 1999, the Company issued 25,000 shares of common stock to a director of the Company in exchange for consulting services and issued 30,000 shares of common stock to a former officer of the Company as a bonus for achieving certain milestones. During fiscal year 1999 and 1998, the Company issued 72,258 and 10,623 shares of its common stock to an unrelated entity in exchange for services rendered. The issuance of shares of common stock in exchange for services or as a bonus were recorded based on the more readily determinable value of the services received or the fair value of the common stock issued.

In April 1998, through a private placement, the Company sold 1,120,065 shares of restricted common stock for proceeds of $625,000. Of the restricted shares issued, 84,034 shares were sold to a former officer of the Company. In conjunction with the private placement, the Company granted warrants to purchase 280,015 shares of its common stock at $1.00 per share. The warrants expire in April 2001.

In conjunction with the purchase of Peregrine (Note 3), during May 1997, the Company issued 143,979 shares of common stock in exchange for $550,000 to a previous stockholder of Peregrine.

Notes receivable from the sale of common stock at April 30, 1999, are due from a former officer and a former director of the Company. The notes bear interest at 6% per annum and are collateralized by personal assets of the holders. The notes are due in fiscal year 2000. During April 1998, an employee and member of the Company's Scientific Advisory Board exchanged a note receivable of $40,000 for consulting services to the Company for full payment of the loan. Payments on all other notes have been made in accordance with the terms of the note agreements.

In accordance with the Company's preferred stock agreement, Equity Line agreement, option plans and other commitments to issue common stock, the Company has reserved approximately 34,731,000 shares of its common stock at April 30, 1999 for future issuance. Of this amount, approximately 21,114,000 common shares have been reserved for future issuance under the Equity Line, primarily related to the future available Put's of $14,250,000 as of April 30, 1999 (which assumes a market price of the Company's common stock of $1.00 per share, as defined in the agreement).

10. STOCK OPTIONS AND WARRANTS

The Company has five stock incentive plans. The plans were adopted or assumed in conjunction with a merger in December 1982 (1982 Plan), January 1986 (1986 Plan), June 1994 (1993 Plan), April 1995 (CBI Plan) and September 1996 (1996 Plan). The plans provide for the granting of options 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.

The 1996 Plan originally provided for the issuance of options to purchase up to 4,000,000 shares of the Company's common stock. The number of shares for which options may be granted under the 1996 Plan automatically increases for all subsequent common stock issuances by the Company in an amount equal to 20% of such subsequent issuances up to a maximum of 10,000,000 options as long as the total shares allocated to the 1996 Plan do not exceed 20% of the Company's authorized stock. As a result of issuances of common stock by the Company subsequent to the adoption of the 1996 Plan, the number of shares for which options may be granted has increased to 10,000,000 at April 30, 1999. Options granted generally vest over a period of four years with a maximum term of ten years. Option activity for each of the three years ended April 30, 1999 is as follows:

	1999		1998		1997	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
BALANCE, Beginning of year	4,477,326	$0.70	4,058,250	$3.02	2,237,750	$0.66
Granted	3,910,541	$1.36	796,909	$1.21	2,419,000	$4.63
Exercised	(1,127,701)	$0.54	(17,750)	$1.00	(533,500)	$0.51
Canceled	(872,499)	$1.62	(360,083)	$3.45	(65,000)	$2.31
BALANCE, End of year	6,387,667	$1.00	4,477,326	$0.70	4,058,250	$3.02

Additional information regarding options outstanding as of April 30, 1999 is as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF PER SHARE EXERCISE PRICES	NUMBER OF SHARES OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED AVERAGE PER SHARE EXERCISE PRICE	NUMBER OF SHARES EXERCISABLE	WEIGHTED AVERAGE PER SHARE EXERCISE PRICE
$ 0.27 - $ 0.60	2,896,826	6.24	$ 0.57	2,031,537	$ 0.56
$ 0.97 - $ 1.59	3,470,841	9.23	$ 1.33	287,500	$ 1.43
$ 4.00	20,000	7.31	$ 4.00	20,000	$ 4.00
$ 0.27 - $ 4.00	6,387,667	7.87	$ 1.00	2,339,037	$ 0.69

At April 30, 1999, options to purchase 6,387,667 shares of the Company's common stock were outstanding, of which, 2,339,037 options were exercisable. Options to purchase 4,103,132 and 69,795 shares were available for grant under the Company's 1996 and 1993 Plans, respectively. There are no remaining shares available for grant under the 1982, 1986 or CBI Plans.

In March 1998, the Company experienced a decline in the market value of its common stock and repriced certain options to key employees, directors and consultants to $.60 per share. The repricing was considered necessary to enable the Company to retain key employees, directors and consultants.

Stock-based compensation expense recorded during each of the three years in the periods ended April 30, 1999 primarily relates to stock option grants made to consultants and has been measured utilizing the Black-Scholes option valuation model. Total compensation expense related to stock option grants made to nonemployees or directors of the Company during fiscal year 1999, 1998 and 1997 amounted to $430,000, $263,000 and $508,000, respectively, and is being amortized through May 2002, the estimated period of service.

The Company utilizes the guidelines in Accounting Principles Board Opinion No. 25 for measurement of stock-based transactions for employees. Had the Company utilized a fair value model for measurement of stock-based transactions for employees and amortized the expense over the vesting period, pro forma information would be as follows:

	1999	1998	1997
Pro forma net loss	$ (22,570,000)	$ (17,466,000)	$ (35,606,000)
Pro forma net loss per share	$ (0.34)	$ (0.56)	$ (1.66)

The fair value of the options granted in fiscal years 1999, 1998 and 1997 were estimated at the date of grant using the Black-Scholes option pricing model, assuming an average expected life of approximately four years, a risk-free interest rate of 6.39% and a volatility factor ranging from 86% to 92%. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions, including the expected stock volatility. Because the Company's options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair values estimated, in the opinion of management, the existing models do not necessarily provide a reliable measure of the fair value of its options. The weighted average estimated fair value in excess of the grant price for employee stock options granted during fiscal years 1999, 1998 and 1997 was $0.90, $2.27 and $3.48, respectively.

As of April 30, 1999, warrants to purchase an aggregate of 6,847,349 shares of the Company's common stock were outstanding, including 35,244 warrants issued upon conversion of the Class C Stock (Note 9). The warrants are exercisable at prices ranging between $.56 and $5.00 per share with an average exercise price of $2.81 per share. The value of the warrants was based on a Black Scholes formula after considering terms in the related warrant agreements.

During fiscal year 1999, 5,486,953 warrants were issued, 52,173 warrants were exercised and 10,000 warrants had expired, excluding warrants issued upon conversion of the Class C Stock (Note 9). Of the 5,486,953 warrants issued during fiscal year 1999, the Company issued warrants to purchase up to 3,700,000 shares of common stock at an exercise price of $3.00 per share exercisable for a period of three (3) years and issued warrants to purchase up to 1,000,000 shares of common stock at an exercise price of $5.00 per share exercisable for a period of five (5) years under the License Termination Agreement with BTD (Note 8). In addition, the Company issued BTD 125,000 warrants at an exercise price of $3.00 per share for an extension of time to reacquire the Oncolym(R) marketing rights in Europe and certain other foreign countries. The Company also issued a warrant in July 1998 to purchase 95,000 shares of the Company's common stock at $1.38 per share related to the extension of payment terms on a payable to a contractor (Note 6). Also during fiscal year 1999, under the Common Stock Equity Line (Note 9), the Company issued 566,953 warrants at prices ranging from $0.86 to $1.375. The Common Stock Equity Line warrants expire on December 31, 2004 and are only exercisable on a cashless basis. During fiscal year 1999, 52,173 warrants issued under the Common Stock Equity Line were exercised in exchange for 14,282 shares of the Company's common stock.

During fiscal year 1998, excluding the warrants granted to the Class C Stockholders (Note 9), the Company granted warrants to purchase 1,020,015 shares of the Company's common stock at prices ranging between $0.56 and $1.00 per share in conjunction with various financing arrangements. Of the 1,020,015 shares provided for purchase under the warrants granted in fiscal year 1998, 280,015 related to a private placement (Note 9), 240,000 related to the extension of payment terms on a payable to a contractor and working capital line (Note 6) and 500,000 related to the extension of a line of credit commitment with BTD. The line of credit commitment with BTD provided for borrowings of up to $2,000,000 under a line of credit that expired on May 31, 1998. In exchange for providing this commitment, even though the Company did not borrow under this arrangement, BTD received a warrant, expiring in March 2003, to purchase 500,000 shares of the Company's common stock at $1.00 per share. The value of the above warrants were treated as a cost of the offering or as interest expense, as applicable, in the accompanying consolidated financial statements. During fiscal year 1998, 20,000 warrants expired and 10,000 warrants were exercised.

In conjunction with the conversion of Class C Stock, the Company issued the preferred shareholders warrants to purchase common shares at $.6554 per share and a warrant to the Placement Agent for the purchase of 1,200 shares of Class C Stock (Note 9). The Company estimated the difference between the grant price and the fair value of the placement agent warrants on the date of grant to be approximately $862,000 and has been treated as a cost of the offering in the accompanying consolidated financial statements.

11. INCOME TAXES

The provision for income taxes consists of the following:

	1999	1998	1997
Provision for income taxes at statutory rate	$ (6,628,000)	$ (4,020,000)	$ (11,282,000)
Acquisition of in process research and development	-	44,000	10,047,000
Permanent differences	21,000	22,000	105,000
State income taxes, net of federal benefit	(585,000)	(683,000)	(995,000)
Other	318,000	-	-
Change in valuation allowance	6,874,000	4,637,000	2,125,000
Provision	$ -	$ -	$ -

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of the Company's deferred tax assets at April 30, 1999 and 1998 are as follows:

	1999	1998
Net operating loss carryforwards	$ 15,603,000	$ 11,635,000
Stock-based compensation	619,000	477,000
General business and research and development credits	118,000	56,000
Deferred revenue	1,110,000	-
Accrued license note payable	1,221,000	-
Accrued liabilities	615,000	244,000
	19,286,000	12,412,000
Less valuation allowance	(19,286,000)	(12,412,000)
Net deferred taxes	$ -	$ -

At April 30, 1999, the Company and its subsidiary have federal net operating loss carryforwards of $42,962,000 and tax credit carryforwards of $118,000. During fiscal year 1999, net operating loss carryforwards of $895,000 expired with the remaining net operating losses expiring through 2019. The net operating losses of $2,986,000 applicable to its subsidiary can only be offset against future income of its subsidiary. The tax credit carryforwards generally expire in 2008 and are available to offset future taxes of the Company or its subsidiary.

Due to ownership changes in the Company's common stock, there will be limitations on the Company's ability to utilize its net operating loss carryforwards in the future. The impact of the restricted amount has not been calculated as of April 30, 1999.

12. RELATED PARTY TRANSACTIONS

Certain former stockholders and directors, through their separate businesses, have provided the Company with various legal, accounting and consulting services. There were no related party expenses incurred in fiscal year 1999. A summary of such professional fees for fiscal years 1998 and 1997 are as follows:

	1998	1997
Professional fees paid	$ 213,000	$ 282,000
Professional fees expensed	$ 163,000	$ 266,000
Professional fees payable at April 30	$ -	$ 50,000

13. BENEFIT PLAN

During fiscal year 1997, the Company adopted a 401(k) benefit plan (Plan) for all employees who are over age 21, work at least 24 hours per week and have three or more months of continuous service. The Plan provides for employee contributions of up to a maximum of 15% of their compensation or $10,000. The Company made no matching contributions to the Plan for the fiscal year 1999, 1998 and 1997.

14. SUBSEQUENT EVENTS

Subsequent to April 30, 1999 and through June 15, 1999 the Company granted approximately 2,383,332 stock options to employees of the Company under the Company's 1996 Stock Option Plan at an exercise price of $1.06.

TECHNICLONE CORPORATION SCHEDULE II

VALUATION OF QUALIFYING ACCOUNTS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 1999

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
Lower of cost or market inventory reserve for the year ended April 30, 1997	$ 27,000	$ 99,000	$ (80,000)	$ 46,000
Lower of cost or market inventory reserve for the year ended April 30, 1998	$ 46,000	$ -	$ (46,000)	$ -
Lower of cost or market inventory reserve for the year ended April 30, 1999	$ -	$ -	$ -	$ -
Valuation reserve for other receivable for the year ended April 30, 1997	$ 175,000	$ -	$ -	$ 175,000
Valuation reserve for other receivable for the year ended April 30, 1998	$ 175,000	$ -	$ -	$ 175,000
Valuation reserve for other receivable for the year ended April 30, 1999	$ 175,000	$ 26,000	$ -	$ 201,000

EXHIBIT 10.52

[Letterhead of Techniclone Corporation]

May 12, 1998

Mr. Larry O. Bymaster
14282 Franklin Avenue
Tustin, CA 92780

Dear Mr. Bymaster:

The purpose of this letter is to set forth the terms and conditions of your prospective employment with Techniclone Corporation, a Delaware Corporation (the "Company") as set forth below:

1. EMPLOYMENT. The Company offers to employ you during the Employment Period as its Chief Executive Officer and President, assigned with the responsibilities of such offices as they may be modified from time to time by the Board of Directors of the Company. You will agree to devote substantially all of your business and professional time and energy to the Company, subject to mental and physical disability. Notwithstanding the foregoing requirement, your expenditure of reasonable amounts of time in connection with outside activities, not competitive with the Company's business, such as outside directorships (but only with Board approval), or charitable or religious or professional activities, shall not be considered to be in violation of the terms or your employment, subject, however, to the requirement that in no event shall any such activities materially interfere with the performance required of you under the terms of your employment with the Company. You shall also be entitled to engage in passive and personal investment activities not materially interfering with your performance.

2. EMPLOYMENT PERIOD. The Employment Period shall commence on May 18, 1998 and continue for a two year period thereafter.

3. COMPENSATION.

(a) SALARY. In consideration for your services, the Company will pay you an annual base net salary of Two Hundred Fifty Thousand Dollars ($250,000.00), subject to increases in the discretion of the Board of Directors or Compensation Committee, payable in bi-weekly installments, or, if such date is a holiday or weekend, on the business day next preceding such date.

(b) BONUS. At the end of each fiscal year during the Employment Period, the company may pay you, in addition to your base salary, up to 100% of your base salary as an incentive bonus. The incentive bonus paid to you shall be based on the company reaching certain performance targets. The performance targets will be established by the Board of Directors of the Company at the end of the third month following the commencement of your employment by the Company.

(c) OPTIONS. You shall also receive options to purchase up to 1,250,000 shares of common stock of the Company which options shall vest as follows (i) 20% shall vest upon the commencement of your employment, (ii) 20% shall vest on the first anniversary of the commencement of your employment, (iii) 20% shall vest on the second anniversary of the commencement of your employment, (iv) 20% shall vest on the third anniversary of the commencement of your employment, and (v) the remaining 20% shall vest on the fourth anniversary of the commencement of your employment.

(d) EXPENSES. The Company shall reimburse you for all authorized and approved expenses incurred and paid by you in the course of the performance of your duties.

(e) BENEFITS. You shall receive all the usual and ordinary benefits accorded to the Company's executive officers. The Company shall provide you, during the Employment Period, with the same term life insurance, disability insurance and medical insurance as is currently provided to senior executives of the Company. You shall be entitled to the amount of paid vacation per year as provided generally in the Company's Executive Policies and Procedures.

(f) PERQUISITES. You shall be entitled to receive the fringe benefits and allowances pertaining to the offices of Chief Executive Officer and President of the Company in accordance with Company practices, including, but not limited to, additional home phone lines, computer and fax.

4. VACATION. You shall be entitled to four (4) weeks paid vacation each year.

5. TERMINATION AND SEVERANCE. In the event the Company terminates your employment during the Employment Period for any reason, then the Company shall continue to pay you the salary as and when otherwise provided for herein for a period of twelve (12) months. The annual salary amount payable shall be in an amount equal to the annual base salary paid to you by the Company during the twelve (12) month period immediately preceding the termination.

TECHNICLONE CORPORATION

By: \s\ Thomas R. Testman

Thomas R. Testman,
Interim Chief Executive Officer

Agreed and accepted:

\s\ Larry O. Bymaster
- ---
Larry O. Bymaster

Date: May 12, 1998

TERMINATION AGREEMENT

This Termination Agreement (this "Agreement") is made and entered into as of this 8th day of March, 1999 by and between TECHNICLONE CORPORATION, a Delaware corporation having its principal place of business at 14282 Franklin Avenue, Tustin, California 92780, a successor in interest to Techniclone International Corporation, a California corporation (hereinafter, "Techniclone") and BIOTECHNOLOGY DEVELOPMENT, LTD., a Nevada limited partnership having its principal place of business at 222 South Rainbow, Suite 218, Las Vegas, Nevada 89128. (hereinafter "BTD").

RECITALS

A. Techniclone and BTD have entered into a Distribution Agreement dated as of February 29, 1996 (the "Distribution Agreement"), an Option Agreement dated February 29, 1996 and an Option Agreement dated October 23, 1998, as amended (collectively, the "BTD/Techniclone Agreements").

B. Techniclone and BTD believe that it is in their respective best interests to terminate all of the BTD/Techniclone Agreements and to enter into this Agreement for the return to Techniclone of all distribution rights with respect to the Product(s), the Patent and Antibodies (as such terms are defined in the Distribution Agreement), as described in the BTD/Techniclone Agreements.

NOW, THEREFORE, in consideration of the foregoing premises, the following promises, covenants and agreements, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. DEFINITIONS. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned to such terms in the BTD/Techniclone Agreements.

2. TERMINATION. Techniclone and BTD hereby terminate the BTD/Techniclone Agreements effective as of the date first set forth above. Accordingly, BTD's rights with respect to the Product(s), the Patent and Antibodies are hereby terminated, and Techniclone accordingly shall resume ownership and control of same. Except as set forth in this Agreement, notwithstanding anything to the contrary in any of the BTD/Techniclone Agreements, the parties agree that no rights or obligations will survive the termination of the BTD/Techniclone Agreements (other than any rights BTD may have under applicable law as a stockholder of Techniclone or any rights to acquire securities of Techniclone granted to BTD in connection with such agreements).

3. CONSIDERATION FOR TERMINATION. For, and in consideration of, the termination of BTD's rights as described in Section 2 and for the return to Techniclone of all distribution rights with respect to the Product(s), the Patent and Antibodies (as such terms are defined in the Distribution Agreement), as described in the BTD/Techniclone Agreements, Techniclone shall:

(a) execute and deliver to BTD a Secured Promissory Note in the form of EXHIBIT A hereto and a Security Agreement in the form of EXHIBIT B hereto;

(b) execute and deliver to BTD a Warrant Certificate evidencing BTD's right to purchase up to One Million (1,000,000) shares of Common Stock of Techniclone at an exercise price of five dollars ($5.00) per share, exercisable for a period of five (5) years from the date hereof;

(c) execute and deliver to BTD a Warrant Certificate evidencing BTD's right to purchase up to Three Million Seven Hundred Thousand (3,700,000) shares of Common Stock of Techniclone at an exercise price of three dollars ($3.00) per share, exercisable for a period of three (3) years from the date hereof; and

(d) issue and deliver to BTD a stock certificate registered in the name of BTD evidencing BTD's ownership of One Million Two Hundred Thousand Dollars ($1,200,000) in value of shares of Common Stock of Techniclone, which shares will be issued based on a value per share equal to 90% of the Market Price thereof (for purposes of this Agreement, said "Market Price" shall mean the lowest closing bid price during the 10 trading day period ending on the date which is 30 days following the date hereof).

4. CONFIDENTIALITY. Except as required by the Securities and Exchange Commission or other regulatory agency, and except for any disclosures that may reasonably be required in connection with negotiations between Techniclone and pharmaceutical companies or other entities with respect to the license or distribution of the Product, the Patent or Antibodies or as otherwise contemplated herein, BTD and Techniclone shall keep the contents of this Agreement confidential and shall not disclose its terms to any third party. Except as otherwise provided herein, neither Techniclone nor BTD shall use or disclose, directly or indirectly, any of the information of the other party transferred during the term of this BTD/Techniclone Agreements or during this Agreement, except as may be necessary to enable the parties to perform their obligations under this Agreement. Without limiting the foregoing, the parties may disclose such information to its officers, employees and agents, to authorized licensees and sublicensees and to subcontractors to the extent necessary to enable such parties to perform their obligations hereunder or under the applicable agreement. The provisions of this Section shall not apply to any such information with (i) is known to the receiving party at the time of disclosure or independently developed by the receiving party and document by written records; (ii) information disclosed to the receiving party by a third party which has a lawful right to make such disclosure; or (iii) information which is or becomes lawfully patented, published or otherwise part of the public domain without the breach of any obligation of confidentiality. The parties agree that they would be severely and irreparably injured by a breach of this Section 4 and that the full amount of injury resulting from any such breach would be difficult to estimate. In the event of any breach of this Section 4, the non-breaching party shall be entitled, without posting bond or proving damages, to equitable relief, including injunctive relief and specific performance. Such remedy shall not be deemed to be the exclusive remedy for breach of this Agreement, but shall be in addition to all other remedies available at law or in equity.

5. REGISTRATION OF SHARES. The Company shall within nine (9) months of the date hereof file a registration statement or registration statements covering the shares of Common Stock of the Company which are issued to BTD pursuant to Section 3(d) hereof and the shares of Common Stock issuable upon exercise of the warrants issued to BTD pursuant to Section 3(b) and Section 3(c) thereof, and shall use its reasonable best efforts to cause such registration statement or registration statements to be declared effective by the Securities and Exchange Commission as soon as practicable after filing.

6. INDEMNITY. The parties will indemnify, defend and hold each other harmless against any and all losses, damages, liabilities, including reasonable attorneys' fees, and costs which arise out of claims concerning the performance of their respective obligations under this Agreement. The party seeking indemnity shall promptly notify the indemnifying party, and the indemnifying party shall assume its defense and settlement at its sole cost and expense.

7. TERM AND TERMINATION. Either party may terminate this Agreement upon sixty (60) days prior written notice to the other party upon the material breach by such other party of any of its obligations under this Agreement, provided that such termination shall become effective only if the breaching party fails to remedy or cure the breach within such sixty-day period. Termination of this Agreement shall not relieve or release either party from obligations which have accrued as of the date of termination, or from making any payments which may otherwise be owning to the other party under the terms of this Agreement.

8. MISCELLANEOUS. The failure by either party to exercise or enforce any rights under this Agreement shall not be deemed to be a waiver of any such rights, nor shall any single or partial exercise of any right, power or privilege, or further exercise thereof, operate so as to bar the exercise or enforcement thereof at any later time. The waiver by either party of any breach of any of the terms of this Agreement by the other shall not be deemed to be a waiver of any other breach of this Agreement. If any part or provision of this Agreement is prohibited or rendered void or unenforceable, the validity or enforceability of this Agreement as a whole or of any other part of this Agreement shall not be affected thereby; however, if this results in a material alteration to the terms and conditions of this Agreement, the parties will renegotiate the terms and conditions hereof to resolve any inequities. Techniclone and BTD are independent parties, and nothing herein shall be construed to deem them partners or joint venturers, or to make either party liable for any of the debts or obligations of the other party. Neither party shall have the right to bind the other with respect to any contract or any other obligation whatsoever. This Agreement is to be read and construed in accordance with, and governed by, California law.

[SIGNATURES CONTAINED ON THE FOLLOWING PAGE]

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

TECHNICLONE CORPORATION	BIOTECHNOLOGY DEVELOPMENT, LTD.
By: \S\ LARRY O. BYMASTER	By: \S\ EDWARD J. LEGERE
Larry O. Bymaster, President	Edward J. Legere, General Partner

EXHIBIT A

FORM OF SECURED PROMISSORY NOTE

(filed as Exhibit 10.54 to the Annual Report on Form 10-K for the year ended April 30, 1999 and incorporated herein by this reference)

EXHIBIT B

FORM OF SECURITY AGREEMENT

(filed as Exhibit 10.55 to the Annual Report on Form 10-K for the year ended April 30, 1999 and incorporated herein by this reference)

EXHIBIT 10.54

SECURED PROMISSORY NOTE

$3,300,000 TUSTIN, CALIFORNIA
MARCH 8, 1999

FOR VALUE RECEIVED, the undersigned, TECHNICLONE CORPORATION, a Delaware corporation ("MAKER"), hereby promises to pay to the order of BIOTECHNOLOGY DEVELOPMENT, LTD., a Nevada limited partnership (or any subsequent holder hereof, the "HOLDER"), at its office at 222 South Rainbow, Suite 218, Las Vegas, Nevada 89128, or at such other place or to such other party or parties as the Holder of this Note may from time to time designate, the principal sum of Three Million Three Hundred Thousand Dollars ($3,300,000), together with simple interest on the unpaid principal balance from time to time outstanding at the rate of 10.00% per annum.

All principal and interest owing hereunder shall be paid as follows:

(1) a monthly payment of interest only on the outstanding principal amount hereof (each such monthly payment of such interest equal to $27,500) shall be due and payable in advance to Holder on the first business day of each month, commencing with March 1, 1999, with a final payment of interest only of $27,500 (representing the amount of interest due in advance for the period commencing on February 1, 2001 through and including February 28, 2001) due and payable in advance to Holder on February 1, 2001; and

(2) a principal payment of $3,300,000 shall be due and payable to Holder on March 1, 2001 (the "MATURITY Date").

Payment of principal and interest shall be made in lawful money of the United States of America. The undersigned shall have the right to prepay this Note in whole or in part, without penalty, at any time and from time to time, prior to the maturity date hereof. Payments shall be applied first against accrued interest and then against outstanding principal.

This Note is secured by a security agreement ("SECURITY AGREEMENT") of even date herewith covering certain assets of Maker.

In the event of (a) default in the making or paying of any payment hereunder or (b) upon the breach or default in the performance of observance of any covenant, condition, or breach of any representation or warranty contained in the Security Agreement or any other agreement or instrument evidencing or securing this Note, Holder may, at its option, declare this Note to be immediately due and payable.

If this Note is not paid when due, whether at maturity or by acceleration, the undersigned promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees, and all costs and expenses incurred in connection with the protection or realization of any collateral or enforcement of any guaranty, incurred by Holder, on account of any such collection, whether or not suit is filed hereon or on any instrument granting a security interest.

The undersigned expressly waives presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note and all other notices of any kind, and expressly agrees that this Note, or any payment hereunder, may be extended from time to time without in any way affecting the liability of the undersigned and endorsers hereof. To the fullest extent permitted by law, the defense of the statute of limitations in any action on this Note is waived by the undersigned. This Note has been executed and delivered in the State of California and is to be governed by and construed according to the laws thereof.

No single or partial exercise of any power hereunder or under any pledge agreement or security agreement securing this Note shall preclude other or further exercise thereof or the exercise of any other power. Holder shall at all times have the right to proceed against any portion of the security held for this Note in such order and in such manner as the holder may deem fit, without waiving any rights with respect to any other security. No delay or omission on the part of Holder in exercising any right hereunder or under any security agreement or other agreement shall operate as a waiver of such right or of any other right under this Note.

All agreements between the undersigned and the Holder are expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of maturity of the unpaid principal balance hereof, or otherwise, shall the amount paid or agreed to be paid to the holder hereof for the use, forbearance or detention of the money to be advanced hereunder exceed the highest lawful rate permissible under applicable usury laws. If, from any circumstances whatsoever, fulfillment of any provision hereof or the Pledge Agreement securing this Note or any other agreement referred to herein, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable hereto, then IPSO FACTO the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any circumstances the holder hereof shall ever receive as interest an amount which would exceed the highest lawful rate, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance due hereunder and not to the payment of interest. This provision shall control every other provision of all agreements between the undersigned and the Holder.

IN WITNESS WHEREOF, this Note has been executed by a duly authorized representative of the undersigned as of the date first above written.

TECHNICLONE CORPORATION,
a Delaware corporation

By: \S\ LARRY O. BYMASTER

Larry O. Bymaster, President

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is entered into as of this 8th day of March, 1999, by and between TECHNICLONE CORPORATION, a Delaware corporation ("DEBTOR") and BIOTECHNOLOGY DEVELOPMENT, LTD., a Nevada limited partnership ("SECURED PARTY").

R E C I T A L S:

WHEREAS, Debtor is indebted to Secured Party in the principal sum of $3,300,000, pursuant to that certain Secured Promissory Note dated March 1, 1999, made by Debtor to the order of Secured Party (the "PROMISSORY NOTE"); and

WHEREAS, this Security Agreement is intended by the parties hereto to create a security interest in the collateral described herein in favor of Secured Party to secure all of the obligations of Debtor under the Promissory Note.

IN CONSIDERATION of the mutual covenants herein contained and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, the parties hereto do hereby agree as follows:

1. SECURITY INTEREST.

As security for the performance of the obligations and indebtedness represented by the Promissory Note, Debtor hereby grants to Secured Party a security interest in the following collateral, whether now owned or hereafter acquired by Debtor (the "Collateral"):

All assets of Debtor, and all additions and accessions thereto, substitutions and replacements therefor, and all proceeds thereof, EXCLUDING, HOWEVER, any inventory, furniture, fixtures and/or equipment which (i) are used in the commercialization of Oncolym(R) (including, without limitation, the manufacture, scale-up, radiolabeling, testing, packaging or commercial production of such product) and are not located on the premises of Debtor in the City of Tustin, California; or (ii) serve as security to any bank, financial institution or other institutional creditor or lender to whom Debtor is or may become indebted with respect to the repayment of borrowed money or with respect to any equipment lease financing agreement or arrangement, and all additions and accessions thereto, substitutions and replacements therefor and all proceeds thereof, and FURTHER EXCLUDING any and all intangible property and intellectual property of Debtor and any and all rights with respect thereto, and all additions and accessions thereto, substitutions and replacements therefor, and all proceeds thereof (including, without limitation, any patents and patent applications and any extensions thereof, supplements thereto and improvements thereon, any trade marks, trade names and applications therefor and extensions thereof, any copyrights or copyright applications and extensions thereof, and any trade secrets, know-how, formulae, processes, methods, methodologies, designs and any and all other intellectual property and any and all rights with respect thereto of any kind or nature whatsoever and any goodwill associated therewith).

Debtor and Secured Party agree that the security interest created hereby has attached to the Collateral to the extent permitted by law, and that it will attach to additional portions of the Collateral hereinafter acquired by Debtor, as the requirements for attachment are otherwise met. The parties hereto agree that all of the Collateral is tangible personal property of Debtor.

2. POSSESSION AND LOCATION OF COLLATERAL.

Unless and until any default occurs hereunder, Debtor shall have possession of the Collateral for its use and enjoyment in any lawful manner not inconsistent with this Agreement or the Promissory Note. The Collateral will be kept at Debtor's principal place of business and will not be moved therefrom without the prior written consent of Secured Party, except that Debtor may make sales of inventory, furniture, fixtures or equipment items in the ordinary course of business. The consent of Secured Party required hereby shall not be unreasonably withheld.

3. FINANCING STATEMENTS.

Debtor shall join with Secured Party in executing one or more financing statements (e.g. Form UCC-1) or other documents pursuant to the provisions of the California Commercial Code, or any other applicable law, relating to the perfection of the Secured Party's security interest in the Collateral, in form reasonably satisfactory to Secured Party.

4. TRANSFER, LIENS AND ENCUMBRANCES.

Title to the Collateral will remain in and continue to be vested in Debtor. Debtor will not sell, offer to sell or otherwise transfer the Collateral, any portion thereof, or any interest therein, without the prior written consent of Secured Party, except that Debtor may make sales of inventory, furniture, fixtures or equipment items in the ordinary course of business. The consent of Secured Party required hereby shall not be unreasonably withheld. Notwithstanding the foregoing, in no event shall Debtor sell any fixed asset with a value in excess of $100,000 without the written consent of Secured Party which it may grant in its sole and absolute discretion. In addition, Debtor will keep the Collateral free from any lien, security interest or encumbrance, unless Secured Party shall consent otherwise in writing which consent shall not be unreasonably withheld.

5. RISK OF LOSS AND INSPECTION OF COLLATERAL.

Debtor shall have all risk of loss of the Collateral and will keep the Collateral in good order and repair and insured against loss or theft in commercially reasonable amounts. Secured Party shall have the right, at any reasonable time, to examine and inspect the Collateral.

6. EVENTS OF DEFAULT.

Debtor shall be in default under this Agreement upon the occurrence of any of the following events or conditions ("EVENTS OF DEFAULT"):

(1) The failure of Debtor to perform any obligation or covenant set forth herein or in the Promissory Note;

(2) The filing by or against Debtor of any petition under any bankruptcy, reorganization, insolvency, or other law providing for the relief of debtors or the making of any assignment for the benefit of creditors; or

(3) The failure of Debtor to pay principal and interest under the terms of the Promissory Note.

7. REMEDIES UPON DEFAULT.

Upon the occurrence of any Event of Default hereunder, and if, upon written notice of such default delivered to the Debtor, the specified default is not cured within fifteen (15) days of receipt of such notice, Secured Party may, at its option, declare all amounts secured hereby immediately due and payable and shall have the right to conduct a public or private sale of the Collateral pursuant to and in accordance with the California Commercial Code. Upon Debtor's default pursuant to this Section 7, the parties hereto shall have all of the rights and remedies available to them under the California Commercial Code.

Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which is reasonably convenient to both parties. All rights and remedies of Secured Party shall be cumulative and may be exercised successively or concurrently and without impairing Secured Party's interest in the Collateral.

8. NOTICE.

All written notices required or permitted pursuant to this Agreement shall be sent by certified mail, return receipt requested, or delivered by hand to the parties hereto at the following address, or at any such other address which any party hereto may, by written notice, have designated pursuant to this section:

"Debtor": Techniclone Corporation
14282 Franklin Avenue
Tustin, California 92780
Attn: Chief Financial Officer

"Secured Party": Biotechnology Development, Ltd.
222 South Rainbow, Suite 218,
Las Vegas, Nevada 89128
Attn: Edward J. Legere, General Partner

9. APPLICABLE LAW.

This Agreement is to be construed and interpreted in accordance with the laws of the State of California and venue, in the event of any dispute, shall be in the state of federal courts located in Orange County, California.

10. INUREMENT.

This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto, their successors and assigns, and may be altered, amended or changed only by an instrument in writing signed by the parties hereto.

11. ATTORNEY'S FEES.

In the event of any dispute or controversy concerning the subject matter hereof, the prevailing party shall be entitled to recover from the other party all reasonable costs, fees and expenses, including without limitation, all attorneys' fees and related costs.

12. COUNTERPARTS.

This Agreement may be signed in one or more counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute but one and the same instrument.

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

DEBTOR:
TECHNICLONE CORPORATION,
a Delaware corporation

By: \S\ LARRY O. BYMASTER
Larry O. Bymaster, President

SECURED PARTY:
BIOTECHNOLOGY DEVELOPMENT, LTD.,
a Nevada limited partnership

By: \S\ EDWARD J. LEGERE
Edward J. Legere, General Partner

EXHIBIT 10.56

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

EXECUTION COPY

LICENSE AGREEMENT

dated as of March 8, 1999

by and between

TECHNICLONE CORPORATION

and

SCHERING AG

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EXHIBITS

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

LICENSE AGREEMENT

LICENSE AGREEMENT (the "AGREEMENT"), dated as of March 8, 1999 (the "EFFECTIVE DATE"), by and between TECHNICLONE CORPORATION, a Delaware corporation having its principal place of business at 14282 Franklin Avenue, Tustin, California 92680 (hereinafter referred to as "TECHNICLONE") and SCHERING AG, a corporation organized and existing under the laws of Germany having its principal place of business at 13342, Berlin, Germany (hereinafter referred to as "SCHERING"). Techniclone and Schering are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

W I T N E S S E T H:

WHEREAS, Techniclone is developing through its research and development activities a radiolabeled antibody for use in oncology products, and has the right to grant rights and licenses and/or sublicenses under the Techniclone Patents (hereinafter defined) and Techniclone Know-How (hereinafter defined);

WHEREAS, Schering has expressed to Techniclone its interest in obtaining from Techniclone certain rights and licenses to the Techniclone Patents and Techniclone Know-How;

WHEREAS, Techniclone is willing to grant such rights and licenses to Schering under the terms and conditions hereinafter set forth; and

WHEREAS, the Parties intend to record, characterize and report their activities under this Agreement as separate activities of each of the Parties;

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements contained herein, the Parties hereto, intending to be legally bound, do hereby agree as follows:

Article I
DEFINITIONS

Section 1.01 DEFINITIONS. The following terms, when capitalized, shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined) as used in this Agreement:

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

"ANTIBODY" shall mean an IgG2a produced by the cell line designated ATCC No. HB 8612 and specifically against normal human B-cells and derived malignancies, as described in the patent listed in Exhibit A-1.

"AUDIT DISAGREEMENT" shall have the meaning set forth in Section 11.03(b).

"BANKRUPTCY EVENT" shall have the meaning set forth in Section 12.02(c).

"CLINICAL DEVELOPMENT" shall refer to all activities relating to planning and execution of clinical studies in humans directed toward obtaining Regulatory Approval of a Product, but does not include any activities falling within the definition of CMC/Manufacturing. Clinical Development includes clinical studies and related regulatory affairs and outside counsel regulatory legal services.

"CLINICAL DEVELOPMENT EXPENSES" means the expenses incurred by a Party or for its account which are paid to a Third Party, and Internal Costs, consistent with the Development Plan and Budget and are specifically attributable to the Clinical Development of a Product (excluding royalties paid to a Third Party). Clinical Development Expenses shall include, but are not limited to, the direct costs of manufacturing and packaging Oncolym for use in Clinical Development, the cost of clinical studies in humans on the toxicological, pharmacokinetic, metabolic or clinical aspects of a Product by individual investigators, of consultants necessary for the purpose of obtaining and/or maintaining Regulatory Approval of the Product in the Territory, including Third Party contractors, and costs (and related fees) for preparing, submitting, reviewing or developing data or information relating to clinical studies in humans for the purpose of submission to a governmental authority to obtain and/or maintain Regulatory Approval of a Product in the Territory. Clinical Development Expenses shall not include Existing Trial Expenses or CMC/Manufacturing Expenses. Each Party shall incur only those Clinical Development Expenses as are reasonably necessary to develop the Product for the indications described in the Existing Trials and such other indications as are agreed upon by the JDC.

"CMC/MANUFACTURING" means the development of one or more processes for the manufacture and packaging of the Antibody and/or the Product for Preclinical Development, Clinical Development and Commercialization, and shall include, without limitation, formulation, production, fill/finish, sourcing of components, raw materials and packaging supplies, development of regulatory methods and controls, including assays, quality control and quality assurance methodology and stability protocols, qualification of one or more Antibody production facilities and one or more radiolabeling facilities.

"CMC/MANUFACTURING EXPENSES" means the expenses incurred by a Party or for its account consistent with the Development Plan and Budget and specifically attributable to the CMC/Manufacturing of the Antibody and/or the Product. CMC/Manufacturing Expenses shall not include the direct costs of manufacturing and packaging Oncolym for use in Clinical Development. Each Party shall incur only those CMC /Manufacturing Expenses as are reasonably necessary to develop the Product for the indications described in the Existing Trials and such other indications as are agreed upon by the JDC.

"COMMERCIALIZATION" and "COMMERCIALIZE" shall refer to all activities undertaken relating to the pre-marketing, marketing, distribution and sale of the Product.

"COMPETING PRODUCT" means a radioactive monoclonal antibody which recognizes any antigen on the surface of B-cells and is approved for use in the treatment of intermediate- or high-grade Non-Hodgkins Lymphoma, or for any other labeled indication for which the Product is approved.

"CONFIDENTIAL INFORMATION" shall have the meaning set forth in Section 8.01.

"CONTROL" or "CONTROLLED" shall refer to possession of the ability to grant a license or sublicense of patent rights, know-how, Information or other intangible rights as provided for herein without violating the terms of any agreement or other arrangement with any Third Party.

"DEVELOPMENT" and "DEVELOP" shall refer to all activities relating to Existing Trials, Preclinical Development, Clinical Development and CMC/Manufacturing.

"DEVELOPMENT EXPENSE" means Existing Trial Expenses, Preclinical Development Expenses, Clinical Development Expenses and CMC/Manufacturing Expenses.

"DEVELOPMENT PLAN AND BUDGET" shall have the meaning set forth in Section 3.02(b).

"DRUG APPROVAL APPLICATION" means an application for Regulatory Approval required to be approved before commercial sale or use of a Product as a drug in a regulatory jurisdiction, including, for the purposes of Regulatory Approval in the United States, a Biologic License Application and all supplements filed pursuant to the requirements of the FDA (including all documents, data and other information concerning a Product which are necessary for, or included in, FDA approval to market the Product), and, for the purposes of Regulatory Approval in Europe, applications for Regulatory Approval to EMEA.

"EFFECTIVE DATE" shall have the meaning set forth in the Recitals to this Agreement.

"EMEA" means the European Medicines Evaluation Agency, or any successor agency.

"EUROPE" means the countries which are members of the European Union as such membership may change from time to time.

"EXISTING TRIALS" means the ongoing (as of the Effective Date) Phase II study of Oncolym in intermediate and high-grade Non-Hodgkin's B-cell lymphoma, protocol no. LYM 9702. If the Existing Trial is extended as a Phase III clinical trial study, the Phase III extension shall not be considered an Existing Trial.

"EXISTING TRIAL EXPENSES" means the expenses incurred by Techniclone or for its account payable to Third Parties and specifically attributable to Existing Trials. Existing Trial Expenses shall not include any Internal Costs of Techniclone (including overhead, amortization of existing capital assets and other administrative expenses) incurred in conducting the Existing Trials not directly payable to a Third Party.

"FDA" means the United States Food and Drug Administration, or any successor agency.

"FIELD" means all uses of products for the in vivo therapeutic prevention, treatment, cure or mitigation of all human disease states, conditions, disorders and indications.

"FIRST COMMERCIAL SALE" means the date Schering or an Affiliate or a sublicensee of Schering first sells commercially, pursuant to a Regulatory Approval, a Product in any country of the Territory, PROVIDED that where such a first commercial sale has occurred in a country for which pricing or reimbursement approval is necessary for widespread sale, then such sales shall not be deemed a First Commercial Sale until such pricing or reimbursement approval has been obtained.

"GCPs" means clinical practices in conformity with the current Good Clinical Practices as established by the International Conference on Harmonization, as such regulations may be amended from time to time and in conformity with equivalent regulations in regulatory jurisdictions in the Territory.

"GLPs" means laboratory practices in conformity with the FDA's regulations governing current good laboratory practices set forth in 21 C.F.R. Part 58 ET SEQ., as such regulations may be amended from time to time, and in conformity with equivalent regulations in regulatory jurisdictions outside the United States.

"GMPs" means manufacturing practices in conformity with the FDA's regulations governing current good manufacturing practices set forth in 21 C.F.R. Part 210 ET SEQ., as such regulations may be amended from time to time, and in conformity with equivalent regulations in regulatory jurisdictions outside the United States.

"INFORMATION" means (i) techniques and data within the Field relating to the Product, including, but not limited to, inventions, practices, methods, knowledge, know-how, skill, trade secrets, experience, test data including pharmacological, toxicological, preclinical and clinical test data, regulatory submissions, adverse reactions, analytical and quality control data, marketing, pricing, distribution, cost, sales and manufacturing data or descriptions, and (ii) compounds, compositions of matter, assays and biological materials within the Field relating to the Product.

"INITIAL DEVELOPMENT PLAN AND BUDGET" means the initial Development Plan and Budget concerning the Development of Oncolym as set forth in more detail on Exhibit B hereto.

"INTERNAL COSTS" means direct costs and charges, including direct overhead charges, incurred by a Party, but shall only exclude costs and charges related to unused manufacturing capacity, amortization of property, plant or equipment, allocation of general corporate overhead and any employee costs associated with equity incentive plans.

"JOINT DEVELOPMENT COMMITTEE" or "JDC" means the committee established pursuant to Section 3.01 below.

"JOINT PATENTS" shall have the meaning set forth in Section 9.03(a).

"LOSSES" shall have the meaning set forth in Section 13.01(a).

"MANUFACTURING PARTY" means the Party who is from time to time responsible for the (i) manufacturing and supply of the Antibody and/or the Product for use during Development or (ii) commercial manufacture and supply of the Antibody and/or the Product.

"MILESTONE PAYMENTS" shall have the meaning set forth in Section 4.02.

"NET SALES" means the amount invoiced by, or on behalf of, a Party, its Affiliates or its sublicensees from sales of the Product by or on behalf of such Party to Third Parties in the Territory, less reasonable and customary deductions applicable to the Product for (i) transportation charges and charges such as insurance, relating to transportation paid by the selling party; (ii) sales and excise taxes or customs duties paid by the selling party and any other governmental charges imposed upon the sale of the Product and paid by the selling party; (iii) distributors' fees, rebates or allowances actually incurred; (iv) quantity discounts, cash discounts or chargebacks actually incurred in the ordinary course of business in connection with the sale of the Product; (v) allowances or credits to customers, not in excess of the selling price of the Product, on account of governmental requirements, rejection, outdating, recalls or return of the Product; (vi) costs of customer programs such as cost effectiveness or patient or physician assistance programs designed to aid in patient compliance to maintain medication schedules and which Schering is reasonably required to carry out in order to effect a sale of the Product; and (vii) a deduction for actual bad debts not to exceed 1%. Sales of the Product between a Party and its Affiliates or sublicensees solely for research or clinical testing purposes shall be excluded from the computation of Net Sales. Net Sales of Schering will be accounted for in accordance with International Accounting Standards, consistently applied. Net Sales of Techniclone will be accounted for in accordance with Generally Accepted Accounting Principles, consistently applied.

"NON-MANUFACTURING PARTY" shall be any Party that is not a Manufacturing Party.

"PACKAGED PRODUCT" means the Product packaged and labeled in compliance with the specifications and requirements of the Regulatory Approval of the country of commercial distribution, in a fully equipped kit containing imaging and/or treatment doses in the strengths and sizes ordered by the Schering customer, in a form ready for delivery to Schering's customer by a common carrier.

"PATENTS" means all existing United States patents and patent applications and all United States patent applications hereafter filed, including any continuation, continuation-in-part, division, provisional or any substitute applications, any patent issued with respect to any such patent applications, any reissue, re-examination, renewal or extension (including any supplemental protection certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing and that are now owned or Controlled or hereafter acquired or Controlled by a Party or its Affiliates. "Patents" also includes a Supplementary Certificate of Protection of a member state of the European Union and any other similar protective rights in any other country.

"PATENT EXPENSES" means the fees, expenses and disbursements and outside counsel fees, and payments to Third Party agents incurred in connection with the preparation, filing, prosecution and maintenance of Techniclone Patents covering the Product within the Field, including Techniclone's costs of patent interference and opposition proceedings and actions at law and equity for patent infringement and any sums paid to Third Parties on account of judgments or settlements arising out of Third Party patent claims (other than such judgments or settlements resulting in the payment of royalties).

"PHASE II CLINICAL TRIAL" means any Phase II clinical trial as described in 21 C.F.R. ss. 312.21 (b), other than the Existing Trials.

"PHASE III CLINICAL TRIAL" means any Phase III clinical trial as described in 21 C.F.R. ss. 312.21(c).

"PRECLINICAL DEVELOPMENT" shall refer to all activities relating to the planning and execution of non-human studies conducted in IN VITRO or in relevant IN VIVO animal models directed toward obtaining Regulatory Approval of a Product in each regulatory jurisdiction in the Territory. This includes preclinical testing, pharmacokinetics, toxicology, documentary and medical writing directly related to Preclinical Development activities, and related regulatory affairs and outside counsel regulatory legal services.

"PRECLINICAL DEVELOPMENT EXPENSES" means the expenses incurred by a Party or for its account which are paid to a Third Party, and Internal Costs, consistent with the Development Plan and Budget and are specifically attributable to the Preclinical Development of a Product (excluding royalties paid to a Third Party). Preclinical Development Expenses shall include, but are not limited to, the cost of non-human studies on the toxicological, pharmacokinetic, metabolic or clinical aspects of a Product conducted internally or by individual investigators, of consultants necessary for the purpose of obtaining and/or maintaining Regulatory Approval of a Product in the Territory, including Third Party contractors, and costs (and related fees) for preparing, submitting, reviewing or developing data or information relating to non-human studies for the purpose of submission to a governmental authority to obtain and/or maintain Regulatory Approval of a Product in the Territory.

"PRODUCT" or "ONCOLYM" means the Antibody combined with Iodine-131.

"REGULATORY APPROVAL" means any approvals, product and/or establishment licenses, registrations or authorizations of any federal, state or local regulatory agency, department, bureau or other governmental entity, necessary for the manufacture, use, storage, importation, export, transport or sale of Product in a regulatory jurisdiction.

"ROYALTY PERCENTAGE" shall have the meaning set forth in Section 6.01.

"SAFETY" means adverse experiences which are significant, unexpected (as defined in 21 C.F.R. ss. 314.80(a)), serious or life threatening or have a toxicological effect on one or more body tissues.

"TECHNICLONE'S COST OF GOODS" shall mean (i) with regard to Techniclone's Internal Costs and charges, the direct costs and charges, including direct overhead charges, related to the manufacture, packaging and shipment of the Antibody, Product or Packaged Product, and shall exclude costs and charges related to or occasioned by unused manufacturing capacity; the manufacture of other products at Techniclone's facilities; amortization of property, plant or equipment not specifically related to manufacturing the Antibody, Product or Packaged Product; allocation of general corporate overhead; and any employee costs associated with equity incentive plans; and (ii) with regard to Techniclone's external costs and charges, the commercially reasonable invoiced costs and charges of suppliers of goods and services directly related to the manufacture or packaging of Antibody, Product and Packaged Product.

"TECHNICLONE KNOW-HOW" means all Information, whether currently existing or developed or obtained during the course of this Agreement, and whether or not patentable or confidential that is now Controlled or hereinafter becomes Controlled by Techniclone or its Affiliates and that relates to the research, development, utilization, manufacture or use of the Product. Notwithstanding anything herein to the contrary, Techniclone Know-How shall exclude Techniclone Patents.

"TECHNICLONE PATENTS" means any Patents owned or Controlled by Techniclone or its Affiliates covering the research, development, manufacture, use, importation sale or offer for sale of a Product.

"TERRITORY" means all the countries, possessions, and subdivisions of the world.

"THIRD PARTY" means any entity other than Techniclone or Schering and their respective Affiliates and sublicensees.

"TOLERABILITY" means adverse drug experiences which are unpleasant to such an extent that they can materially and adversely affect market potential or market penetration of a Product, but which do not necessarily require discontinuation of drug therapy.

"TREATMENT" means all Packaged Product required to provide one imaging dose and two therapeutic doses for a patient of average body mass.

"VTA TECHNOLOGY" means Techniclone's vascular targeting agent technology which is the subject of that certain Coagulation Patent License Agreement between University of Texas System and Techniclone effective as of October 8, 1998 and a related Patent License Agreement between University of Texas System and Techniclone effective as of October 8, 1998.

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

"WRITTEN DISCLOSURE" shall have the meaning set forth in Section 8.06.

ARTICLE II
LICENSES AND ASSIGNMENT

Section 2.01 Exclusive Patent and Trademark License and Assignment to Schering.

(a) EXCLUSIVE PATENT AND TRADEMARK LICENSE TO SCHERING. Techniclone grants to Schering a paid-up, exclusive (even as to Techniclone) worldwide license, with a right to sublicense, under the Techniclone Patents, the Techniclone Know-How and the Joint Patents to use, develop, manufacture, have manufactured, market, sell, import for sale, and distribute the Antibody and/or the Product in the Territory for all indications in the Field, subject to the terms and conditions hereof and the terms and conditions of the Existing Licenses described in Section 2.02 below. Notwithstanding the foregoing, Techniclone shall retain the right to conduct Development and related activities and to manufacture and have manufactured the Product to the extent specifically provided for in this Agreement, subject to the terms and conditions hereof.

A list of the Techniclone Patents identified as of the Effective Date is attached hereto as Exhibit A-1. Such list shall be modified from time to time to reflect any changes to Techniclone Patents and to include any Techniclone Patents acquired by or coming under the Control of Techniclone during the course of this Agreement.

At Schering's election, to be exercised on a country-by-country basis for all of the countries of the Territory in which Techniclone has rights to the trademark "Oncolym," Techniclone shall, subject to the terms and conditions hereof, (i) grant to Schering a paid-up exclusive (even as to Techniclone) royalty free, perpetual license for the use of the trademark "Oncolym" to be used in connection with the purposes of this Agreement, such license to terminate on a country-by-country basis as of such time as Schering shall obtain an exclusive trademark for the Product other than the trademark "Oncolym" or (ii) assign such trademark to Schering.

(b) ASSIGNMENT. With the exception of the Existing Licenses described in Section 2.02 below, Techniclone assigns to Schering all its right, title and interest under all agreements (the "Third Party Agreements") with Third Parties relating in any way to this Agreement and existing as of the date hereof. Such agreements are listed on Exhibit A-2 hereto. Notwithstanding the foregoing, Techniclone shall retain the right to conduct Development and related activities and to manufacture and have manufactured the Product to the extent specifically provided for in this Agreement. Techniclone agrees to use commercially reasonable efforts to cause the applicable Third Parties to assign the Third Party Agreements to Schering.

Section 2.02 EXISTING LICENSES. The licenses granted under Section 2.01 include sublicenses of Third Party technology existing on the Effective Date and licensed to Techniclone. A list of all such agreements as of the Effective Date is attached hereto as Exhibit C, true, correct and complete copies of which have been provided to Schering prior to the Effective Date. Any royalties payable to Third Parties pertaining to technology discussed in the previous sentence shall be paid by Techniclone, and, if not so paid, may be paid by Schering and offset or deducted from royalty payments under Section 6.01. From time to time at Schering's request, Techniclone will use its commercially reasonable efforts to obtain a consent (a "CONSENT") from existing licensors and other contractual counterparties with Techniclone. Such Consent shall contain the agreement of such licensor or counterparty to (i) give reasonable written notice to Schering prior to terminating the underlying license or contract, (ii) provide Schering a reasonable period to cure any default under such license or contract, and (iii) permit Schering or one or more of its Affiliates to assume Techniclone's obligations thereunder as assignee of Techniclone's rights thereunder, in each case at Schering's option.

Section 2.03 VTA TECHNOLOGY. Techniclone has confirmed to Schering its willingness to enter into a License and Development Agreement in respect of the VTA Technology in accordance with the terms set out in Exhibit D (the "Proposed Offer"). Techniclone hereby undertakes, at Schering's request, to enter into good faith negotiations and to use all reasonable efforts to negotiate and conclude a License and Development Agreement in respect of the VTA Technology in accordance with such terms within thirty (30) days of the Effective Date. During such thirty (30) day period, Techniclone will not license or dispose of any rights to the VTA Technology to any Third Party, and will permit Schering to conduct such reasonable due diligence as Schering believes to be appropriate. In the event that during the thirty (30) day period Schering believes that additional time is necessary to conclude a License and Development Agreement in respect of the VTA Technology, then Schering shall so notify Techniclone pursuant to Section 14.05, in which case the time period shall be extended by thirty (30) days, and following Techniclone's receipt of the notice from Schering, Schering and Techniclone shall be bound by the terms set out on Exhibit D.

If the thirty (30) day (or sixty (60) day if extended by Schering) period expires without the Parties having concluded a License and Development Agreement in respect of the VTA Technology, they shall observe the following procedure:

(i) Techniclone shall have the right to conclude a definitive agreement for the rights to the VTA Technology with a Third Party on terms on the whole materially more favorable to Techniclone than the Proposed Offer.

(ii) In the event that within one (1) year of the Effective Date Techniclone desires to conclude a definitive agreement with a Third Party for the VTA Technology on terms equivalent to or materially less favorable to Techniclone than the Proposed Offer, then Techniclone shall submit such terms to Schering in writing pursuant to Section 14.05 (the "New Proposed Offer"). Techniclone need not disclose to Schering the identity of the Third Party. Schering shall then respond in writing to Techniclone within ten (10) days after receipt of such New Proposed Offer notice indicating whether Schering desires to commence negotiations with respect to same, and if Schering so indicates its desire to commence such negotiations, Schering shall have the right to cause Techniclone to enter into negotiations for thirty (30) days (or such longer period as the Parties may agree), and Techniclone's rights shall be determined accordingly.

(iii) Provided Techniclone has complied with its obligations set forth in this Section 2.03, then following the first anniversary of the Effective Date Techniclone shall thereafter be relieved of its obligations set forth in this Section 2.03.

Section 2.04 CREDIT FOR ONCOLYM PAYMENTS. In the event that Schering and Techniclone conclude a definitive agreement concerning Techniclone's VTA Technology pursuant to the first paragraph of Section 2.03 pursuant to negotiations commenced prior to the expiration of the sixty day period referred to therein, and the Development of Oncolym ceases pursuant to Article XII without Oncolym being marketed in the United States or Europe, then Schering shall be entitled to a credit under the definitive agreement concerning the VTA Technology (i) for the initial payment of three million dollars ($3,000,000) paid by Schering to Techniclone pursuant to Section 4.01 of this Agreement, and (ii) for any Milestone Payments paid by Schering to Techniclone pursuant to Section 4.02 of this Agreement.

Section 2.05 ORPHAN DRUG ACT.

To the fullest extent permitted by law:

(a) Promptly following the Effective Date, Techniclone shall transfer to Schering legal title to and possession of any and all Orphan Drug Act petitions and other requests for designation by FDA of the Product as an orphan drug, and/or any and all Orphan Drug Act designations by FDA of the Product as an orphan drug. The Parties confirm that Schering will have the right to claim and use any taxation credits, deductions or other benefits available as a result of Orphan Drug Act designation by FDA of the Product, or a grant of marketing exclusivity by FDA for the Product pursuant to the Orphan Drug Act.

(b) Techniclone agrees to cooperate with and assist Schering to the extent reasonably requested by Schering in the preparation, amendment, and/or prosecution of petitions or other requests for Orphan Drug Act designation or Orphan Drug Act exclusivity for Product, and any other marketing exclusivity available in the United States or any other country of the Territory. Such assistance shall include without limitation participation by Techniclone representatives in meetings with governmental authorities as reasonably requested by Schering, and subject to the availability of Techniclone personnel. Schering shall keep Techniclone apprised of its progress in obtaining Orphan Drug Act exclusivity and any other marketing exclusivity that becomes available in the United States and any other country of the Territory. Schering shall be the legal and beneficial owner of Orphan Drug Act exclusivity or any other marketing exclusivity obtained in regard to any Product in the United States or any other country of the Territory.

ARTICLE III
DEVELOPMENT

Section 3.01 JDC

(a) FORMATION OF THE JDC. Within fifteen (15) days after the Effective Date (or such later time as may be mutually agreed to by the Parties), the Parties shall establish the JDC. The JDC shall consist of an equal number of representatives of Techniclone and Schering to be agreed upon by the Parties from time to time. Either Party may designate a substitute for a member unable to be present at a meeting. One of the Schering members of the JDC, chosen at the sole discretion of Schering, along with one of the Techniclone members of the JDC, chosen at the sole discretion of Techniclone, shall serve as co-chairs of the JDC. Regardless of the number of representatives from each Party on the JDC, each Party shall have one vote on any issue. Meetings of the JDC shall be held quarterly and may be called by either Party with not less than ten (10) business days notice to the other unless such notice is waived, and all meetings shall be held at the office of Schering's United States Affiliate in Richmond, California, unless otherwise agreed in writing. The JDC may be convened, polled, or consulted from time to time by means of telecommunication or correspondence. Each Party will disclose to the other proposed agenda items reasonably in advance of each meeting of the JDC. Each Party shall bear its own costs for participation in the JDC.

(b) FUNCTIONS OF THE JDC. The JDC shall function as a forum for the Parties to inform and consult with one another concerning progress of and changes to Development and the Development Plan and Budget, meeting Development goals, dealing with obstacles to successful Development, and the status of obtaining Regulatory Approvals. The JDC shall have no role, consultative or otherwise, with regard to Commercialization. The following specific functions shall be delegated to the JDC.

(i) plan, coordinate and oversee the Development of the Product in order to obtain Regulatory Approval in the Territory (including establishing in writing the Approval Criteria specified in Section 12.02(a)(iii));

(ii) assume responsibility for the Development Plan and Budget as established in Section 3.02(b);

(iii) propose updates yearly to the Development Plan and Budget, which plan and budget will specify a reasonable level of detail by which Techniclone and Schering will conduct Preclinical Development, Clinical Development and CMC/Manufacturing;

(iv) propose any amendments of the Development Plan and Budget which are not covered in the yearly updates;

(v) prepare detailed budgets consistent with the Development Plan and Budget and allocate such budgets to particular Development tasks; and

(vi) subject to Section 3.06, evaluate any proposal to contract with any Third Party to perform any Development activities.

(c) LIMITATION ON JDC AUTHORITY. Notwithstanding the creation of the JDC, each Party to this Agreement shall retain the rights, powers and discretion granted to it hereunder, and the JDC shall not be delegated or vested with any such rights, powers or discretion unless such delegation or vesting is expressly provided for herein or the Parties expressly so agree in writing. The JDC shall not have the power to amend or modify this Agreement, which may be amended or modified only as provided in Section 14.12.

(d) RESOLUTION OF DISPUTES. If the JDC cannot reach a unanimous decision with respect to the Development matters delegated to it within ten (10) days then the disputed matter shall be promptly referred to a senior manager of each Party designated by such Party for resolutions. If the senior managers are unable to resolve such matter within ten (10) days after one Party notifies the other of its desire to have the matter referred to such senior managers, the decision of Schering's senior manager shall control. Schering's initial senior manager designee is the head of Strategic Unit Therapeutics for Schering's U.S. Affiliate, and Techniclone's Chief Executive Officer.

Section 3.02 Development.

(a) Techniclone and Schering each agree to co-operate in the Development of the Product and to use commercially reasonable efforts to develop and bring the Product to market. Techniclone and Schering each agree to use commercially reasonable efforts to execute and substantially perform the obligations assumed by it under the Development Plan and Budget. All Clinical Development, including all clinical trials other than the Existing Trials, shall be conducted by Schering. The Existing Trials shall be conducted by Techniclone under the supervision of Schering. Promptly following the Effective Date Techniclone shall transfer legal title to all data from completed studies of the Product to Schering. Promptly following the conclusion of any Existing Trials Techniclone shall transfer legal title to all data from such Existing Trials to Schering.

(b) The Development of the Product shall be governed by a development plan and budget ("DEVELOPMENT PLAN AND BUDGET"), which shall provide for Development of the Product in the Territory and, together with updates, shall be updated, amended, supplemented and otherwise modified from time to time by the JDC. The Parties have agreed upon and approved the Initial Development Plan and Budget which is attached hereto as Exhibit B.

(c) With respect to the Development of additional indications for the Product, the Development Plan and Budget for each such additional indication shall be proposed by the JDC and agreed between the Parties, and each subsequent Development Plan and Budget for each such additional indication shall be proposed by the JDC and submitted to the Parties for review and approval. Anything in the previous sentence notwithstanding, Schering shall have the right at its sole discretion to veto or proceed with Development of the Product for additional indications regardless of Techniclone's disagreement. Cost of Development of the Product for additional indications will be borne exclusively by Schering except in the circumstances described in Section 4.03.

(d) Each Development Plan and Budget shall provide a reasonably detailed written time-line for each step to be achieved with respect to the Development and Regulatory Approval of the Product, the estimated Development Expenses of obtaining such Regulatory Approval and the description of a final Product.

(e) Each Development Plan and Budget shall be updated annually by the JDC, and submitted by October 1 of each calendar year to the Parties for review and approval not later than sixty (60) days after such submission.

Section 3.03 Clinical Development Applications and Drug Approval Applications.

(a) CLINICAL STUDIES. Except in the case of Existing Trials Schering shall be responsible for preparing, filing and prosecuting applications for permission to conduct Clinical Development in such countries of the Territory which require such applications to be filed and wherein Schering, in good faith and in the exercise of reasonable business judgment, determines it is commercially reasonable to do so. With respect to the United States and any other country where Techniclone has such an application on file with appropriate regulatory authorities, Techniclone shall transfer such application to Schering promptly following the request of Schering PROVIDED that, from and after the Effective Date, Schering shall have authority and control with respect to any such applications (and prior to the transfer to Schering, all communications and interactions with regulatory authorities by Techniclone with respect to such applications shall be reviewed and approved in advance by Schering).

(b) DRUG APPROVAL APPLICATIONS. Techniclone will use its reasonable best efforts to schedule as soon as is practical, a meeting with the FDA (the "Conversion Meeting") for the purpose, INTER ALIA, of extending the Existing Trial into a Phase III Clinical Trial. Schering shall be responsible for preparing, filing, and prosecuting Drug Approval Applications and seeking Regulatory Approvals for the Product in all countries in the Territory wherein Schering, in good faith and in the exercise of reasonable business judgment, determines it is commercially reasonable to do so, including preparing all reports necessary as part of a Drug Approval Application. All such Drug Approval Applications shall be filed in the name of Schering, and a copy of each such Drug Approval Application shall be promptly provided to Techniclone. In connection with all Drug Approval Applications being prosecuted by Schering under this Section 3.03, Schering agrees to provide Techniclone with a copy (which may be wholly or partly in electronic form) of all filings to regulatory agencies that it makes hereunder within thirty (30) days after written request by Techniclone, at no cost to Techniclone.

(c) COOPERATION. The Parties shall consult and cooperate (including in the case of Techniclone providing such commercially reasonable assistance as Schering shall reasonably request) in the preparation of each regulatory submission and in obtaining and maintaining Regulatory Approvals within the Territory, PROVIDED, HOWEVER, that except with regard to Existing Trials, prior to and following approval of a Drug Approval Application, Schering shall be solely responsible for interactions with regulatory authorities throughout the Territory. Subject to the foregoing, Schering shall provide Techniclone and Techniclone shall provide Schering (until transfer of applications for permission to conduct Clinical Development, and thereafter solely in regard to the Existing Trials) with reasonable advance notice of any scheduled meeting with the FDA, EMEA or any other regulatory authority in a major regulatory jurisdiction, relating to any Drug Approval Application, and Techniclone or Schering, as applicable, shall have the right to participate in any such meeting. In the event that any regulatory agency threatens or initiates any action to remove a Product from the market in any country in the Territory, Schering shall notify Techniclone of such communication within two business days of receipt by Schering. As between Parties, Schering shall be the legal and beneficial owner of all Drug Approval Applications and related approvals in the Territory.

Section 3.04 Costs of Development.

(a) GENERAL. All Development Expenses incurred throughout the Territory pursuant to an approved Development Plan and Budget for the Product shall be shared by the Parties in the Territory in the manner as set forth in this Section 3.04. Each Party shall calculate and maintain records of Development Expenses incurred by it in accordance with procedures to be agreed upon between the Parties, which shall include an appropriate procedure for classifying Development Expenses as Existing Trial Expenses, Preclinical Development Expenses, Clinical Development Expenses and CMC/Manufacturing Expenses. Accounting by Schering for Development Expenses shall be consistent with International Accounting Standards, consistently applied. Accounting by Techniclone for Development Expenses shall be consistent with Generally Accepted Accounting Principles, consistently applied. Each Party shall report quarterly to the other Party on its Development Expenses, with such reports to be submitted within thirty (30) days after the end of each calendar quarter. At the end of each calendar year the Parties shall assess the Development Expenses incurred and documented by each Party. In the event that either Party disagrees with the assessment, then the Chief Financial Officers of Techniclone and Schering's U.S. Affiliate shall meet and attempt to resolve the disagreement. If the Chief Financial Officers are unable to resolve the disagreement, then it shall be resolved in the same manner as an Audit Disagreement pursuant to Section 11.03(b). Each Party shall also have the right to audit the Development Expenses reported by the other Party pursuant to Section 11.03.

(b) SHARING OF DEVELOPMENT EXPENSES.

(i) PRECLINICAL DEVELOPMENT EXPENSES. All Preclinical Development Expenses incurred after the Effective Date up to $500,000 shall be borne by Techniclone; Preclinical Development Expenses incurred after the Effective Date in excess of $500,000 shall be borne fifty percent (50%) by Schering and fifty percent (50%) by Techniclone.

(ii) CLINICAL DEVELOPMENT EXPENSES. Schering shall be responsible for eighty percent (80%) of all Clinical Development Expenses incurred after the Effective Date for Products in the Territory, and Techniclone shall be solely responsible for the remaining twenty percent (20%) of such Clinical Development Expenses.

(iii) EXISTING TRIAL EXPENSES. Existing Trial Expenses incurred after the Effective Date shall be borne twenty percent (20%) by Techniclone and eighty percent (80%) by Schering. Each Party shall bear one hundred percent (100%) of its Internal Costs relating to an Existing Trial. Techniclone shall complete all Existing Trials and promptly provide Schering with all data and results from the Existing Trials.

If the FDA confirms that an Existing Trial may be extended to constitute a Phase III Clinical Trial, all Clinical Development Expenses incurred in respect of that Phase III Clinical Trial after both of the following events have occurred shall be shared between the Parties in accordance with (ii) above: (A) the decision of the FDA is confirmed in writing; and (B) the dosing of the first patient under the amended protocol converting the trial to a Phase III Clinical Trial.

(iv) CMC/MANUFACTURING EXPENSES. Techniclone shall be responsible for all CMC/Manufacturing Expenses, except for certain capital costs as described in Section 7.11. Without limiting in any manner Techniclone's obligations hereunder, if so requested by Techniclone, and subject to availability of Schering personnel, Schering agrees to provide reasonable advisory/consultancy input to Techniclone with respect to CMC/Manufacturing at no cost to Techniclone.

(c) PAYMENT. Each Party shall pay to the other Party its share of Development Expenses within forty-five (45) days of its receipt of each report referred to in Section 3.04(a) to the extent required pursuant to the terms of Section 3.04(b).

Section 3.05 USE OF FUNDS. As of the Effective Date, Techniclone intends to utilize the initial payment specified in Section 4.01 and the Milestone Payments payable pursuant to Section 4.02 for Development Expenses and to fulfill any manufacturing obligations it may have hereunder.

Section 3.06 Right to Engage Third Parties.

(a) Subject to the advance written approval of Schering, Techniclone shall be entitled to contract with Third Parties to perform any Development activities. Techniclone shall notify Schering in writing thirty (30) days prior to entering into any contract with a Third Party to perform any Development activities where such Third Party contract has not been unanimously approved by the JDC. During the thirty (30) day period following such notice from Techniclone, Schering shall have the right to (i) offer to perform itself such Development activities or (ii) propose an alternative Third Party to perform such Development activities. If Schering decides to offer to perform itself such Development activities or to propose an alternative Third Party to perform such Development activities, it shall notify Techniclone in writing during such thirty (30) day period and shall include with such notice the terms of its offer to perform such Development activities or the identification of such alternative Third Party or the terms of the proposal for such alternative Third Party to perform such Development activities, as the case may be. Techniclone shall have no obligation to accept such offer or proposal, but shall consider such offer or proposal in good faith and negotiate towards entering into an agreement with Schering or the alternative Third Party proposed by Schering if Schering's offer or proposal and the capabilities of Schering or such alternative Third Party, as the case may be, are equivalent to those of the Third Party proposed by Techniclone. All other things being equal, Schering or its alternative Third Party shall be the preferred provider of such Development activities, and Techniclone shall accept Schering's offer or proposal if it is not materially more expensive or otherwise materially less beneficial than the offer of the Third Party proposed by Techniclone.

(b) In the event that Schering shall not exercise its right pursuant to Section 3.06(a) to offer to perform itself such Development activities or to propose an alternative Third Party to perform such Development activities, or if Techniclone shall have failed to accept any such offer or proposal by Schering and such offer or proposal is not materially more expensive or otherwise materially less beneficial than the offer of the Third Party proposed by Techniclone, Techniclone shall not use any Third Party to perform any Development without the prior written approval of Schering (which will not be unreasonably withheld).

(c) Each contract related to the Development or Commercialization of any Product entered into by Techniclone shall expressly provide for the automatic assignment of such contract to Schering at Schering's option upon written notice to such Third Party not more than one hundred eighty (180) days following the termination of this Agreement for any reason, other than a termination by Schering pursuant to Section 12.02(a).

Section 3.07 SCHERING STEP-IN RIGHTS. Without prejudice to any other remedies available to Schering under this Agreement or at law, if Techniclone materially fails to carry out the reasonable Development tasks allocated to it under this Agreement in accordance with the time lines and other conditions allocated to it under the Development Plan and Budget and this Agreement generally, Schering may, after forty-five (45) days prior written notice to Techniclone, undertake that particular task ("Work") and complete it at its own expense if Techniclone has not at such time begun to carry out such Work in a manner reasonably likely to cure its default. Schering shall be entitled to commercially reasonable cooperation and assistance from Techniclone to accommodate its efforts, including assignment to Schering of sponsorship of regulatory filings if necessary to permit the exercise by Schering of its rights under this Section 3.07. All costs reasonably incurred by Schering in carrying out such Work will be reimbursed by Techniclone on a quarterly basis pursuant to the terms of Section 3.04(a) and (c) or may, at Schering's option, be set off against any payments otherwise due to Techniclone under this Agreement.

Section 3.08 COMMERCIALIZATION. Schering undertakes to use all reasonable commercial diligence to enable the Product to be commercially distributed following Regulatory Approval in the United States or Europe, as the case may be. In the event that Schering fails to Commercialize the Product in the United States or Europe, Techniclone's sole remedies are those provided for in Section 12.02 (d) below.

ARTICLE IV
PAYMENTS

SECTION 4.01 INITIAL PAYMENT. Schering shall pay to Techniclone an amount equal to three million dollars ($3,000,000) within three (3) business days of the execution of this Agreement. This amount shall be noncreditable against any future obligations of Schering under this Agreement.

SECTION 4.02 MILESTONE PAYMENTS. Schering shall make the following payments ("MILESTONE PAYMENTS") to Techniclone within thirty (30) business days after the first achievement of each of the following milestones. Each of these Milestone Payments shall be paid only once regardless of the number of times the milestones are achieved by the Product or the number of indications for which the Product is developed or commercialized except as provided in Section 4.03 below.

	MILESTONE	PAYMENT
(i)	Prior to the termination of this Agreement and upon the acceptance by the FDA for filing of the first Drug Approval Application for Oncolym in the United States.	$2,000,000
(ii)	Prior to the termination of this Agreement and upon Regulatory Approval of Oncolym in the United States; PROVIDED that Techniclone has made available to Schering reasonable quantities of Product that can be immediately commercially distributed in interstate commerce in the United States.	$7,000,000
(iii)	Prior to the termination of this Agreement and upon Regulatory Approval of Oncolym in any country in Europe; PROVIDED that Techniclone has made available to Schering reasonable quantities of the Product that can be immediately commercially distributed in the applicable country of Europe.	$2,500,000
(iv)	Prior to the termination of this Agreement and upon First Commercial Sale in any country of Europe.	$2,500,000

SECTION 4.03 ADDITIONAL INDICATIONS. In the event that Techniclone wishes to develop the Product for indications other than those described in the Existing Trials or agreed upon by the Parties in the JDC, and Schering does not object to such development, Techniclone may carry out such development at its own risk and expense. Prior to any proposal of the Product for any such additional indications, the Parties agree to negotiate, in good faith (without any obligation to conclude) an agreement regarding separate initial payments, royalties and milestone payments for such additional indications, as have been funded, or will be funded, by Techniclone pursuant to this Section 4.03. For the avoidance of doubt, the Parties expressly agree that for any additional indications, with respect to which any portion of the development is funded by Schering, Techniclone shall not be entitled to any milestone or initial payments (but only to the royalties specified in Article VI), nor shall there be any requirement to so negotiate. Techniclone may not develop, commercialize, sell, license or dispose of any right, title or interest in and to such additional indications without Schering's written consent, which may be withheld by Schering in its discretion.

ARTICLE V
COMMERCIALIZATION

Section 5.01 SCHERING AS SOLE MARKETING PARTY. Schering shall have the exclusive right to Commercialize the Product (either by itself or through its Affiliates or sublicensees) in the Territory.

Section 5.02 COMMERCIALIZATION EFFORTS. Schering agrees to use commercially reasonable efforts with respect to the Commercialization of the Product throughout the Territory as provided hereunder. Such commercially reasonable efforts shall be consistent with the efforts used by Schering in preparing commercialization plans and budgets and commercializing its own pharmaceutical products. Without limiting the generality of the foregoing, Schering shall determine the pricing and marketing strategy for the Product in its sole discretion. Within 180 days after the execution hereof, Schering will present to Techniclone a preliminary Commercialization plan outlining pre-launch strategies, activities and plans related to the proposed Commercialization of Oncolym, in the United States and Europe, together with projected five year sales forecasts. Any such plans and forecasts provided to Techniclone by Schering shall not be binding on Schering. Schering shall not be obligated to Commercialize the Product in any country where Schering does not believe it would be commercially reasonable to do so.

Section 5.03 COMPETING PRODUCTS. On a country-by-country basis, in the event that after the Regulatory Approval of the Product Schering desires to continue the sale or commence the sale, as the case may be, of a Competing Product then at Schering's option one of the following conditions shall apply:

(i) Schering shall return to Techniclone marketing rights to the Product in the applicable country; or

(ii) Schering shall pay Techniclone a royalty of three percent (3%) on Schering's Net Sales of the Competing Product in the country in question for as long as Schering continues to sell both the Product and the Competing Product and to pay royalties on sales of the Product in the country in question in accordance with the terms hereof.

The foregoing conditions shall not be applicable to the sale by Schering of a Competing Product if in the applicable country Schering has sublicensed marketing rights to Oncolym to a party that is not an Affiliate of Schering; and such sub-licensee is not selling a Competing Product. The restrictions set forth in this Section 5.03 shall apply in Europe only to the extent permitted by the Treaty of Rome.

Section 5.04 TECHNICLONE RESTRICTIONS.

Outside of Europe Techniclone shall not make, use, sell or permit, or cooperate with any Third Party in the manufacture use or sale of a therapeutically capable radioisotope attached to any monoclonal antibody which recognizes any antigen on the surface of B-cells. Within Europe, Techniclone's reservation of diagnostic rights to the Antibody and/or the Product shall not permit Techniclone to use, make or sell, or to permit or cooperate in the use, manufacture or sale of the Antibody and/or the Product, in whole or in part, for purposes falling within the Field.

ARTICLE VI
ROYALTIES

Section 6.01 ROYALTIES. GENERAL. In further consideration of the rights and licenses granted to Schering under Article II of this Agreement, Schering shall pay to Technicione a royalty equal to twelve percent (12%) of Net Sales of the Product in the Territory (the "ROYALTY PERCENTAGE").

(b) ROYALTY TERM. Except where expressly provided otherwise in this Agreement, and subject to Section 6.01(c) below, all royalties to a Party shall be paid, on a country-by-country basis, from the date of the First Commercial Sale of the Product in a particular country until the later (the "Royalty Expiration Date") of (i) ten (10) years from the First Commercial Sale in such country and (ii) the last to expire of any Technicione Patent which includes a Valid Claim in such country; PROVIDED, HOWEVER, that if the Product is sold in any country in which Technicione does not have a Valid Claim which would prevent the sale of a generic form of such Product, the royalty obligation set forth in Section 6.01(a) with respect to Net Sales attributable to the sale of the Product in such country shall be reduced by fifty percent (50%) of the royalty that would otherwise be payable with respect to Net Sales attributable to the sale of the Product in such country, until Technicione is granted a Valid Claim in such country.

(c) GENERIC. The royalty reduction of 50% described in Section 6.01(b) above shall only apply in any country of the Territory if a generic form of the Product is actually sold in such country.

(d) DISCONTINUANCE. Subject to the provisions of Article XII, Schering may discontinue Commercialization of the Product at any time, in any country, and on a country-by-country basis.

(e) LICENSE FOLLOWING EXPIRATION. After the Royalty Expiration Date, Schering shall thereafter have an exclusive (even as to Technicione), paid-up license to Technicione Know-How to make, have made, use, sell, offer for sale, have sold and import the Antibody and/or Product in that country, PROVIDED, HOWEVER, that if Schering elects not to continue paying royalties as provided herein in subsection (g) below at any time after the Royalty Expiration Date, such license shall be non-exclusive.

(f) NON-EXTENSION OF EXISTING TRIALS. If the FDA does not consent to an extension of the Existing Trials as a Phase III Clinical Trial by [...***...], then the royalty specified in Section 6.01(a) shall be reduced by [...***...] (e.g., from [...***...]).

(g) ROYALTY EXTENSION. Schering, at its sole discretion, may elect to continue paying royalties under Section 6.01(a)-(f) after the Royalty Expiration Date PROVIDED Schering gives Technicione at least twenty-four (24) months notice prior to the then scheduled Royalty Expiration Date, and further PROVIDED, that the applicable royalty will be 6% (subject to reduction under subsections (b) and (f)). In the event that Schering thereafter elects to terminate paying royalties to Technicione, Schering shall provide twenty-four (24) months advance notice to Technicione, in which case Technicione shall have the right to terminate its manufacturing obligations under Article VII on twenty-three (23) months advance notice to Schering. Notwithstanding anything to the contrary contained herein, Technicione shall not be obligated to continue to perform its manufacturing obligations hereunder beyond the Royalty Expiration Date PROVIDED that Technicione uses its reasonable best efforts to have its manufacturing contracts with Third Parties related to this Agreement (and its rights and obligations thereunder) assigned and transferred to Schering or a Third Party designated by Schering, in which case, the provisions of Section 7.12 hereof shall apply; and PROVIDED further, that, if Schering or its Third Party designee does not duly assume such contracts (and the rights and obligations thereunder) and Technicione is not otherwise able to so assign and transfer same to Schering or its Third Party designee, Technicione shall have the right to terminate its manufacturing obligations as of or at any time following the Royalty Expiration Date on twenty-four (24) months prior notice to Schering.

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Section 6.02 ROYALTY REPORTS AND PAYMENTS. Schering shall make royalty payments to Techniclone quarterly within sixty (60) days after the end of each calendar quarter in which Net Sales occurred. A report summarizing the Net Sales of the Products during the relevant quarter on a country-by-country basis shall be delivered to Techniclone within sixty (60) days following the end of each calendar quarter for which royalties are due.

Section 6.03 PAYMENTS; INTEREST. Any payments due under this Agreement shall be due on such date as specified in this Agreement and, in the event such date is a day on which commercial banks are not authorized to conduct business in either Tustin, California, New York, New York or Berlin, Germany, then the next succeeding business day, and shall be made by wire transfer to a designated bank account of the receiving Party.

Any failure by a Party to make a payment within five days after the date when due shall obligate such Party to pay interest to the receiving Party at a rate per annum equal to the prime rate as quoted in the Eastern edition of the WALL STREET JOURNAL as of the date such payment is due and, in the event such a rate is not quoted on such date then on the immediately preceding date such rate is quoted, such interest due and payable upon tender of the payment otherwise due and payable.

Section 6.04 TAXES. The Party receiving royalties shall pay any and all taxes levied on account of royalties it receives under this Agreement. If laws or regulations require that taxes be withheld, the selling Party will (i) deduct those taxes from the remittable royalty, (ii) timely pay the taxes to the proper taxing authority, and (iii) send proof of payment to the other Party within thirty (30) days of receipt of confirmation of payment from the relevant taxing authority. The selling Party agrees to make all lawful and reasonable efforts to minimize such taxes to the other Party.

Section 6.05 PAYMENTS TO OR REPORTS BY AFFILIATES. Any payment required under any provision of this Agreement to be made to either Party or any report required to be made by any Party shall be made to or by an Affiliate of that Party if designated by that Party as the appropriate recipient or reporting entity without relieving such party from responsibility for such payment or report.

Section 6.06 PAYMENT CURRENCY. Payments by Schering under this Agreement shall be paid to Techniclone in U.S. dollars by wire transfer of immediately available funds to an account at a commercial bank designated by Techniclone pursuant to this Article VI. Where payments are based on Net Sales in countries other than the United States, the amount of such Net Sales expressed in the currency of each country shall be converted first into Deutsche Marks, or if the Deutsche Mark shall have been replaced by the Euro, into Euros, and then into U.S. dollars at the average exchange rate (calculated at the average of the "bid" and "asked" exchange rate) for the applicable quarter; PROVIDED, HOWEVER, that the conversion of the currency in question into Deutsche Marks or Euros prior to conversion into U.S. dollars shall be for calculation purposes only, and no additional fee or commission will be incurred as a consequence of the multiple currency conversions. In determining the average exchange rate for any quarter, the standard shall be the exchange rate quoted by the Frankfurt Fixing or any appropriate successor rate fixing procedure then in effect between European First Class Banks for the applicable currency at 1:00 p.m. on the last business day of the applicable quarter. If there is no Frankfurt Fixing or appropriate successor rate fixing procedure in effect as of any date of determination, the Parties shall agree on another reference rate.

ARTICLE VII
MANUFACTURE AND SUPPLY

Section 7.01 MANUFACTURE AND SUPPLY BY TECHNICLONE. Techniclone shall be responsible for CMC/Manufacturing of Antibody, Product and Packaged Product (including Techniclone's own manufacturing operations and those of its Third Party contractors and suppliers), and for receipt and disposal of Antibody and Product returned to Techniclone by Third Party contractors and suppliers, and Product and Packaged Product returned by Schering customers. Subject to any dispute resolution mechanisms specified herein and to the other provisions of this Article VII, Techniclone shall have the final authority, so long as it is the Manufacturing Party, with regard to CMC/Manufacturing. From the Effective Date of this Agreement until the Parties otherwise agree, or as otherwise provided herein, Techniclone will manufacture, or arrange for manufacture of Antibody, Product and Packaged Product and supply Packaged Product to Schering or Schering's designated distributor or distributors for use in connection with Development and for the Commercialization of the Product in each applicable country of the Territory under Article V hereof. Techniclone will not enter into any Third Party contract relating to the manufacture of Antibody or Product or Packaged Product without Schering's consent, which will not be unreasonably withheld. Techniclone shall seek Schering's approval for all CMC/Manufacturing plans, the implementation of such plans, and procedural changes to manufacturing plans and processes, to the level of detail which Schering reasonably considers to be necessary for Schering to fulfill its responsibilities and obligations as holder of Regulatory Approvals throughout the Territory.

Section 7.02 REGULATORY APPROVAL FOR MANUFACTURING. Schering shall be responsible for preparing all filings to obtain, or causing a Third Party manufacturer to make all necessary filings to obtain, Regulatory Approval for the manufacture of the Antibody and the Product as part of the approval of a Drug Approval Application for the Product. At the reasonable request of Schering, Techniclone will provide draft submissions for filing to Schering and will provide, or have provided to Schering, whatever other technical support and expertise Schering reasonably deems necessary to effectively obtain Regulatory Approval for the manufacture of the Antibody and the Product as part of the approval of a Drug Approval Application for the Product. Schering shall have authority and control with respect to all filings to obtain Regulatory Approval for the manufacture of the Antibody and the Product, including Packaged Product. Subject to the foregoing, Schering shall provide Techniclone and Techniclone shall provide Schering with reasonable advance notice of any scheduled meeting with the FDA, EMEA or any other regulatory authority in a major regulatory jurisdiction, relating to any filing to obtain Regulatory Approval for the Product, and Techniclone or Schering, as applicable, shall have the right to participate in any such meeting. Once any filings are made in accordance with this Section 7.02, Techniclone shall promptly notify Schering in writing, of any proposed or required changes, to the process for the manufacture of Antibody, Product or Packaged Product.

Section 7.03 TESTING. Techniclone shall be responsible for all testing and document generation (including without limitation all facilities information and related documentation; chemistry, manufacturing, and control information; regulatory methods and controls; and assays and reference standards) necessary for and required by the FDA, EMEA or Koseisho for the manufacture of Antibody and Product, including Packaged Product.

Section 7.04 SPECIFICATIONS. Schering and Techniclone will jointly establish release specifications and an expiration date for Antibody and Product, including Packaged Product, to be manufactured by Techniclone and Techniclone's Third Party contractors and suppliers, and commercialized by Schering. Techniclone shall obtain the prior written approval of Schering to specifications to be established by Techniclone relating to the process of manufacture, labeling or packaging of Antibody and Product, including Packaged Product, acceptance and release of raw materials, and facility and operational specifications. Techniclone agrees that it will not make changes to any of the specifications and procedures described in this Section without the prior approval of Schering. The timelines for completing and implementing the specifications described in this Section shall be established by the JDC. Techniclone shall provide to Schering copies of all procedures relating to manufacturing and packaging employed by Techniclone and its Third Party contractors and suppliers.

Section 7.05 QUALITY TESTING. Techniclone shall perform quality control tests and assays on Antibody and Product, including Packaged Product, manufactured and/or packaged by it and its Third Party manufacturers and suppliers pursuant to Section 7.01 in accordance with the requirements of the applicable Drug Approval Application. Techniclone shall provide Schering with a copy of the batch record, a certificate of analysis and a certificate of compliance for each batch of Antibody and Product, including Packaged Product, manufactured by or on behalf of Techniclone, promptly following final quality control release. The certificate of compliance shall certify that each batch was reviewed and meets all regulatory requirements. The certificate of analysis shall certify that each batch was tested and meets all specifications.

Section 7.06 STABILITY; RECORDKEEPING; INSPECTION; ETC. Techniclone will conduct a stability program for Antibody and Product, including Packaged Product, to be produced pursuant to this Article VII (in compliance with pharmaceutical industry standards and requirements of the FDA, EMEA and Koseisho) and agreed upon between the Parties. Techniclone and its Third Party contractors and suppliers will initiate and maintain all manufacturing-related and packaging-related documents and records required by applicable law and regulations. Techniclone will also: (a) furnish copies of such records to Schering upon Schering's reasonable request; (b) conduct, at Schering's expense, additional testing requested by any relevant regulatory authority in the Territory and/or as may be reasonably requested by Schering (relating to returned or suspect Products); (c) during and prior to the commencement of manufacturing and/or packaging activities by Techniclone and its Third Party contractors and suppliers, allow Schering or its agents to inspect, for quality control purposes upon reasonable notice and during normal business hours, the manufacturing, packaging and testing facilities, including the actual process of manufacture, packaging and testing of Antibody and Product; (d) promptly inform Schering of any inspection, seizure, or other actual or threatened legal or regulatory action by any governmental authority relating to the process of manufacture or packaging of any Antibody or Product, and promptly provide Schering with any documentation relating thereto; (e) except for manufacturing changes requiring the prior written approval of Schering pursuant to Section 7.02, provide reasonable advance notice to Schering and consult with Schering prior to amending any governmental filing; and (f) comply in all material respects with all laws relating to the generation, storage and disposal of waste resulting from the manufacture and packaging of Antibody and Product. Techniclone shall obtain the prior written approval of Schering with respect to stability testing protocols, and process intermediates for Antibody and Product, including Packaged Product. The Parties recognize that special stability studies may be required by regulatory authorities to support transport of processes intermediates such as Antibody between manufacturing sites, and final distribution of Product with a stability period of brief duration.

Section 7.07 FORECASTS AND ORDERS. As soon as is practicable following the Effective Date, the Parties shall establish a system by which Schering shall submit non-binding forecasts of its requirements of Packaged Products to Techniclone. The system will provide reasonable notice to Techniclone of Schering's anticipated requirements of Product. Unless technical or commercial realities require otherwise, Schering will provide Techniclone with an initial non-binding forecast for the eighteen month period commencing with the anticipated initial Regulatory Approval in the Territory at least six months before the commencement of such period. A new eighteen month forecast will be submitted by Schering to Techniclone at the beginning of the next calendar quarter and each calendar quarter thereafter. The system to be established by the Parties shall provide for forecast amendments by Schering, and shall, to the extent possible, minimize administrative burdens on Schering and Techniclone. Firm purchase orders shall be placed by Schering's customers for Packaged Product, and shall be placed with the distributor of the Packaged Product.

Section 7.08 DELIVERY AND SHIPMENT. Techniclone shall deliver Packaged Product F.O.B. the manufacturer's loading dock to the common carrier specified by Schering. At the time of such delivery title to the Packaged Product shall pass to the Schering customer to whom the delivered Packaged Product is to be shipped, and risk of loss with respect to such Packaged Product shall pass to Schering. Schering shall be responsible for the costs of shipping and insurance. In the case of Packaged Product for export from the country of manufacture, Techniclone will cooperate with Schering in providing documentation needed by customs and other governmental authorities relating to import and export. The Parties will provide alternatives as needed for special situations relating to international supply.

Section 7.09 WARRANTIES. Techniclone warrants that delivered Packaged Product will comply with the specifications (established pursuant to Section 7.04) at the time of delivery and through the expiration date thereof, as well as all other laws and manufacturing-related and packaging-related requirements of applicable Regulatory Approvals (including without limitation, compliance with applicable GMPs). Techniclone also warrants that its, and warrants that it will use commercially reasonable best efforts to ensure that its Third Party contractors', waste generation, storage, and disposal practices will comply with all laws and regulations applicable at the time of manufacture or disposal.

Section 7.10 ACCEPTANCE AND PRICING. Techniclone shall supply all of Schering's requirements of Packaged Product at Techniclone's Cost of Goods plus 10% (the "Price"), but in no event shall the Price exceed the following, to be determined on a calendar year basis:

(i) if [...***...] Treatments or fewer are shipped in a calendar year, then the Price shall not exceed $[...***...] per Treatment;

(ii) if more than [...***...] Treatments but fewer than [...***...] Treatments are shipped in a calendar year, then the price shall not exceed $[...***...] per Treatment; and

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(iii) if more than [...***...] Treatments are shipped in a calendar year, then the Price shall not exceed $[...***...] per Treatment.

Charges shall be based on the number of Treatments expected to be sold during the calendar year in the Schering forecast for such calendar year. If following the close of a calendar year, Techniclone determines that actual Treatments shipped in such calendar year failed to achieve the threshold required for the Price charged to Schering, then Techniclone will recalculate the amount owed by Schering to Techniclone and invoice Schering for such amount. If Schering agrees with the Techniclone calculation, then Schering shall pay the Techniclone invoice promptly following receipt. If Schering disagrees with the Techniclone calculation, then the disagreement shall be resolved as if it was an Audit Disagreement pursuant to Section 11.03(b).

(b) In the event that Techniclone's Price is below the applicable maximum set forth in Section 7.10(a)(i), (ii), or (iii), then Schering, in addition to paying Techniclone the Price, shall pay Techniclone a sum equal to 50% of the difference between the Price and the applicable maximum set forth in Section 7.10(a).

(c) Schering shall make payments for Packaged Products shipped to Schering's customers which comply with the Techniclone warranty set forth in Section 7.09 within thirty (30) days of receipt by Schering of Techniclone's invoice. In the event that it is later determined that Packaged Product paid for by Schering does not comply with the specifications and the Techniclone warranty set forth in Section 7.09, Techniclone shall replace such Packaged Product free of charge upon Schering's demonstration of such non-compliance to the reasonable satisfaction of Techniclone.

Section 7.11 CONSTRUCTION OF COMMERCIAL RADIOLABELING SITES.(a) If the Parties agree that it is necessary or desirable to construct one or more commercial radiolabeling sites for Oncolym, then Techniclone shall be responsible for the construction of such site or sites, subject to prior review and approval of plans and budgets by Schering. Schering shall be responsible, upon payment of an equal amount by Techniclone, for (i) fifty percent (50%) of the total capitalized cost up to $4 million (i.e., the Schering contribution will not exceed $2 million of developing the first commercial radiolabeling site for Oncolym in the United States, Canada, Japan or Europe and Techniclone shall be responsible for the remaining fifty percent (50%) or more of such capitalized cost; and (ii) fifty percent (50%) of the total capitalized cost up to $2 million (i.e., the Schering contribution will not exceed $1 million) of developing the second commercial radiolabeling site for Oncolym in the United States, Canada, Japan or Europe and Techniclone shall be responsible for the remaining fifty percent (50%) or more of such capitalized cost. Neither Party will unreasonably withhold its agreement as set forth in the first sentence of this Section 7.11. Neither Party will withhold its agreement as set forth in the first sentence of this Section 7.11 if an additional radiolabeling site is reasonably necessary for Schering to distribute packaged Product in the United States, Canada, Japan or Europe.

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(b) In the event that Schering determines in its sole discretion that one or more commercial radiolabeling sites for Oncolym are necessary or desirable, and Techniclone reasonably withholds its agreement pursuant to Section 7.11 (a) (for example, because the radiolabeling site proposed by Schering is not necessary for Schering to distribute Packaged Product in the United States, Canada, Japan or Europe), then Schering shall have the right to arrange for the construction or use of such site or sites at its sole expense. Techniclone shall cooperate with Schering in the establishment of such site or sites and, subject to the availability of Techniclone personnel, shall provide such commercially reasonable assistance as Schering shall request. In the event that Schering establishes one or more radiolabeling sites pursuant to this Section 7.11(b), then at the request of Schering Techniclone agrees to enter into a supply agreement with Schering for the supply of Schering's requirements of Antibody at a price not to exceed Techniclone's Cost of Goods plus ten percent (10%).

Section 7.12 SCHERING OPTION TO TAKE OVER MANUFACTURING. Notwithstanding anything to the contrary herein, Schering may, at any time, by delivery of written notice to Techniclone elect to become the Manufacturing Party hereunder either in respect of Antibody or in respect of Product. Subject to the terms of all relevant Third Party contracts related to manufacture of the Product, such election shall become effective on the date specified in such notice, whereupon Techniclone will be deemed to have transferred and assigned to Schering (and will promptly transfer to Schering) all Information regarding Techniclone Know-How and all Third Party contracts related to manufacture of the Product. In the event that Schering shall so elect, it shall indemnify and hold Techniclone harmless against any non-cancelable costs, expenses or fees payable to Third Parties that Techniclone may become subject to as a result of such termination of manufacturing obligations. In connection with any such election Schering shall offer to purchase from Techniclone the property, plant and equipment dedicated by Techniclone for the manufacture of Product, as the case may be, at a purchase price equal to the book value of such property, plant and equipment.

SECTION 7.13 SCHERING MANUFACTURING STEP-IN RIGHTS. Without prejudice to any other remedies available to Schering under this Agreement or at law, if Techniclone materially fails to carry out its responsibilities regarding CMC/Manufacturing allocated to it under this Agreement, Schering may, after forty-five (45) days prior written notice to Techniclone, undertake the particular task and complete it at Schering's own expense if Techniclone has not at such time begun to carry out such task in a manner reasonably likely to cure its default. Schering shall be entitled to commercially reasonable cooperation and assistance from Techniclone to accommodate its efforts. All costs reasonably incurred by Schering in carrying out such tasks will be reimbursed by Techniclone on a quarterly basis as invoiced by Schering or may, at Schering's option, be set off against any payments otherwise due to Techniclone under this Agreement.

ARTICLE VIII
CONFIDENTIALITY

Section 8.01 CONFIDENTIALITY; EXCEPTIONS. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing, the Parties agree that the receiving Party shall keep confidential and shall not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement any Information and other information and materials furnished to it by the other Party pursuant to this Agreement or any Information developed during the course of the collaboration hereunder, or any provisions of this Agreement that are the subject of an effective order of the Securities Exchange Commission granting confidential treatment pursuant to the Securities Act of 1934, as amended (collectively, "CONFIDENTIAL INFORMATION"), except to the extent that it can be established by the receiving Party that such Confidential Information:

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

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

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

(d) was disclosed to the receiving Party, other than under an obligation of confidentiality, by a Third Party who had no obligation to the disclosing Party not to disclose such information to others; or

(e) was independently discovered and/or developed by the receiving Party as documented in its corporate records.

Section 8.02 AUTHORIZED DISCLOSURE. Each Party may disclose Confidential Information hereunder to the extent such disclosure is reasonably necessary in filing or prosecuting patent applications, prosecuting or defending litigation, filing or updating any Drug Approval Application, complying with applicable governmental laws, rules and regulations or conducting pre-clinical or clinical trials, PROVIDED, that if a Party is required by law or regulation to make any such disclosures of the other Party's Confidential Information it will, except where impracticable for necessary disclosures, for example in the event of medical emergency, give reasonable advance notice to the other Party of such disclosure requirement and, except to the extent inappropriate in the case of patent applications, will use its reasonable efforts to secure confidential treatment of such Confidential Information required to be disclosed. In addition, and with prior written notice to the other Party of each Third Party with whom a confidential disclosure agreement is being entered into, each Party shall be entitled to disclose, under a binder of confidentiality, Confidential Information to any Third Party for the purpose of carrying out the purposes of this Agreement. Nothing in this Article VIII shall restrict any Party from using for any purpose any Confidential Information independently developed by it during the course of the collaboration hereunder, or from using Confidential Information that is specifically derived from pre-clinical or clinical trials to carry out Regulatory Approval, marketing, sales or professional services support functions as is customary in the pharmaceutical industry. Where materiality of disclosure requires a press release or other disclosure pertaining to this agreement by one Party, the disclosing Party shall give at least two (2) business days' advance notice to the other Party.

Section 8.03 SURVIVAL. This Article VIII shall survive the termination or expiration of this Agreement for a period of three (3) years.

Section 8.04 TERMINATION OF PRIOR AGREEMENT. This Agreement supersedes the Confidentiality Agreements between Techniclone and Berlex Laboratories, Inc. dated as of October 23, 1997. All Information exchanged between the Parties under those Agreements shall be deemed Confidential Information and shall be subject to the terms of this Article VIII, and shall be included within the definitions of Techniclone Know-How.

Section 8.05 PUBLICATIONS. Schering shall determine the overall strategy for publication in support of the Product in the Territory.

Section 8.06 PUBLICITY REVIEW. Subject to the further provisions of this Section and Section 11.04, no Party shall originate any written publicity, news release, or other announcement or statement relating to this Agreement or to performance hereunder or the existence of an arrangement between the Parties (collectively, "WRITTEN DISCLOSURE"), without the prior prompt review and written approval of the other, which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing provisions of this Section 8.06, any Party may make any public Written Disclosure it believes in good faith based upon the advice of counsel is required by applicable law or any listing or trading agreement concerning its publicly traded securities, PROVIDED that prior to making such Written Disclosure, the disclosing Party shall provide the other Party with a copy of the materials proposed to be disclosed and provide the receiving Party with an opportunity to promptly review the proposed Written Disclosure.

ARTICLE IX
OWNERSHIP OF INTELLECTUAL PROPERTY AND PATENT RIGHTS

Section 9.01 OWNERSHIP. Each Party shall solely own, and it alone shall have the right to apply for, Patents within and outside of the Territory for any inventions made solely by that Party's employees or consultants in the course of performing work under this Agreement. Inventions made jointly by employees or consultants of Techniclone and Schering and any Patents resulting therefrom shall be owned by Schering, subject to the licenses granted to Techniclone pursuant to Article II.

Section 9.02 DISCLOSURE OF JOINT INVENTIONS. Any such patent application disclosing inventions made jointly by the Parties shall be provided by one Party to the other reasonably in advance of the intended date for submission of such application to a governmental patent authority.

Section 9.03 PATENT FILINGS. Each Party, at its sole discretion, cost and responsibility, shall prepare, file, prosecute and maintain Patents to cover discoveries and inventions made solely by its own employees or consultants relating to Antibody or Product and use commercially reasonable efforts to file initially all such applications in the Territory or the appropriate forum under the circumstances wherein such a Party determines it is commercially reasonable to do so. Schering shall file, prosecute and maintain Patents to cover inventions relating to the discovery, evaluation, manufacture, use or sale of the Antibody or the Product that are made jointly by personnel of Techniclone and Schering in the course of the collaboration (herein referred to as "JOINT PATENTS"). The determination of the countries in the Territory in which to file Joint Patents shall be made by Schering. Schering shall have the right to direct and control all material actions relating to the prosecution or maintenance of Joint Patents in the Territory, including interference proceedings, reexaminations, reissue opposition and revocation proceedings.

(b) The Parties agree to use commercially reasonable efforts to ensure that any Patent filed outside of the United States prior to a filing in the United States will be in a form sufficient to establish the date of original filing as a priority date for the purposes of a subsequent filing in the United States. Schering shall bear all costs related to the filing of Joint Patents. The Parties agree to use commercially reasonable efforts to ensure that any Patent filed in the United States prior to filings outside of the United States will be in a form sufficient to establish the date of original filing as a priority date for the purpose of a subsequent filing in any contracting state of the Paris Convention.

Section 9.04 THIRD PARTY PATENT RIGHTS. Each Party agrees to bring to the attention of the other Party any Third Party Patent it discovers, or has discovered, and which relates to the subject matter of this Agreement.

Section 9.05 ENFORCEMENT RIGHTS. NOTIFICATION OF INFRINGEMENT. If either Party learns of any infringement or threatened infringement by a Third Party of the Techniclone Patents, or Joint Patents, such Party shall promptly notify the other Party and shall provide such other Party with all available evidence of such infringement.

(b) ENFORCEMENT IN THE TERRITORY. Subject to the next sentence, Techniclone shall be obligated, at its own expense, to defend Techniclone Patents and Schering shall be obligated, at its own expense, to defend Joint Patents in the Territory. Schering shall have the right, but not the obligation, to institute, prosecute and control at its own expense any action or proceeding with respect to infringement of any Techniclone Patents, or Joint Patents covering the manufacture, use, importation, sale or offer for sale of the Product being developed or marketed in the Territory, by counsel of its own choice. Techniclone shall have the right, at its own expense, to be represented in any action by counsel of its own choice. If Schering fails to bring an action or proceeding or otherwise take appropriate action to abate such infringement within a period of one hundred eighty (180) days of notice by Techniclone to Schering requesting action, Techniclone will have the right to bring and control any such action or proceeding relating to Techniclone Patents by counsel of its own choice and Schering will have the right to be represented in any such action by counsel of its own choice and at its own expense. If one Party brings any such action or proceeding, the other Party agrees to be joined as a party plaintiff if necessary to prosecute the action or proceeding and to give the first Party commercially reasonable assistance and authority to file and prosecute the suit. Any damages or other monetary awards recovered pursuant to this Section 9.05(b) shall be allocated first to the costs and expenses of the Party bringing suit, then to the costs and expenses, if any, of the other Party. In the event that Schering brings such action, any amounts remaining shall be distributed as follows: compensatory damages shall be treated as Net Sales in the country and calendar quarter received and punitive and exemplary damages shall be paid equally to Schering and Techniclone. In the event that Techniclone brings such action, sixty percent (60%) of any amounts remaining shall be payable to Techniclone and the remaining forty percent (40%) payable to Schering.

(c) SETTLEMENT WITH A THIRD PARTY. The Party that controls the prosecution of a given action shall also have the right to control settlement of such action; PROVIDED, HOWEVER, that if one Party controls, no settlement shall be entered into without the written consent of the other Party (which consent shall not be unreasonably withheld) if such settlement would materially and adversely affect the interests of such other Party.

Section 9.06 DEFENSE AND SETTLEMENT OF THIRD PARTY CLAIMS. If a Third Party asserts that a patent, trademark or other intangible right owned by it is infringed by any Product in the Territory, Techniclone will be solely responsible for defending against any such assertions at its cost and expense (subject to the provisions of Section 9.05(b)), but no settlement may be entered into without the written consent of Schering, which shall not be unreasonably withheld. The costs of any such settlement (including, without limitation, damages, expense reimbursements, compliance, future royalties or other amounts) shall be paid exclusively by Techniclone. If any Third Party is successful in any such claim, and Schering is ordered to make any payments to such Third Party in connection therewith, any such payments may be offset or deducted from the payment obligations of Schering under the Agreement.

Section 9.07 PATENT EXPENSES. All worldwide Patent Expenses with respect to Techniclone's Patents shall be borne by Techniclone, subject to the terms of this Agreement. All worldwide Patent expenses with respect to Joint Patents shall be borne by Schering, subject to the terms of this Agreement.

Section 9.08 TRADEMARKS. Schering shall be responsible for the selection, registration and maintenance of all trademarks which it employs in connection with the Product and shall own (or license in the case of "Oncolym") and control such trademarks (and pay any costs in connection therewith). Techniclone recognizes the exclusive ownership by Schering of any proprietary Schering name, logotype or trademark furnished by Schering (including Schering's Affiliates) for use in connection with the Product. Techniclone shall not, either while this Agreement is in effect, or at any time thereafter, register, use or attempt to obtain any right in or to any such name, logotype or trademark or in and to any name, logotype or trademark confusingly similar thereto.

Section 9.09 USE OF NAMES. Neither Party shall use the name of the other Party in relation to this transaction in any public announcement, press release or other public document without the written consent of such other Party, which consent shall not be unreasonably withheld or delayed; PROVIDED, HOWEVER, that either Party may use the name of the other Party in any document filed with any regulatory agency or authority, including the FDA and the Securities and Exchange Commission, in which case Schering shall be referred to as "Schering AG, Germany". Techniclone agrees not to use the name "Schering" in relation to this transaction in any press release, public announcement or other public document without the approval of Schering, which approval shall not be unreasonably withheld or delayed.

ARTICLE X
REPRESENTATIONS AND WARRANTIES

Section 10.01 REPRESENTATIONS AND WARRANTIES. Each of the Parties hereby represents and warrants to the other Party as follows:

(i) The Agreement is a legal and valid obligation binding upon such Party and enforceable in accordance with its terms. The execution, delivery and performance of the Agreement by such Party does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it is bound, nor to such Party's knowledge, violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

(ii) Techniclone has not granted (except with respect to Existing Licenses referred to in Section 2.02 above), and during the term of the Agreement neither Party will grant, any right to any Third Party relating to the Techniclone Patents, Techniclone Know-How and Joint Patents in the Field which would conflict with the rights granted to either Party hereunder.

(b) Techniclone hereby represents and warrants to Schering that Techniclone:

(i) Has provided to Schering all information in its possession or control or of which it is aware as of the Effective Date, concerning efficacy, side effects, injury, toxicity, or sensitivity, reaction and incidents or severity thereof, associated with any clinical use, studies, investigations, or tests with the Product (animal or human), whether or not determined to be attributable to the Product;

(ii) Has conducted or has caused its contractors or consultants to conduct, and will in the future conduct, the preclinical and clinical studies of the Product in accordance with applicable United States law, known or published standards of the FDA and EMEA, and the scientific standards applicable to the conduct of studies in the United States and the European Union;

(iii) Has employed and will in the future employ individuals of appropriate education, knowledge, and experience to conduct or oversee the conduct of Techniclone's clinical and preclinical studies of the Product;

(iv) Has not employed (and, to the best of its knowledge, has not used a contractor or consultant that has employed) and in the future will not employ (or, to the best of its knowledge, use any contractor or consultant that employs) any individual or entity debarred by the FDA (or subject to a similar sanction of EMEA), or, to the best knowledge of Techniclone, any individual who or entity which is the subject of an FDA debarment investigation or proceeding (or similar proceeding of EMEA), in the conduct of the preclinical or clinical studies of the Product;

(v) In the course of Developing the Product, has not conducted, and during the course of this Agreement it will not conduct, any Development activities in violation of applicable GCPs, GLPs or GMPs; PROVIDED, HOWEVER, that with respect to periods prior to the Effective Date, this representation is limited to Information included or to be included in a Drug Approval Application or matters relevant to Oncolym;

(vi) As of the Effective Date, except as it may have previously disclosed to Schering in writing, has not received any notices of infringement or any written communications relating in any way to a possible infringement with respect to Oncolym and any potential Products, and that it is not aware that the manufacture, use or sale of Oncolym or any potential Products infringes any Third Party patent rights;

(vii) As of the Effective Date, is not aware of any prior act or any fact which causes it to conclude that any Techniclone Patent is invalid or unenforceable;

(viii) Has complied in all material respects with each license listed on Exhibit C hereto, and during the term hereof will comply in all material respects, and use all reasonable efforts to keep in full force and effect, each such license; neither this Agreement, nor any of the transactions contemplated hereby will, with the giving of notice or the lapse of time, or both, constitute a default or breach of any such license; and

(ix) Techniclone has obtained all right, title and interest in and to all rights to Oncolym and the Techniclone Patents and Techniclone Know-How, free and clear of any liens, encumbrances or rights to repurchase; and

(x) During the term hereof, Techniclone will not grant a lien on this Agreement or on any of Techniclone's rights or obligations hereunder or on the Techniclone Patents or Techniclone Know-How related to the Product.

Section 10.02 INDEMNIFICATION FOR BREACHES OF REPRESENTATIONS AND WARRANTIES. Each Party hereby agrees to save, defend and hold the other Party and its directors, officers, agents and employees harmless from and against any and all Losses resulting directly or indirectly from the breach of any representation or warranty made by such Party hereunder. In the event that a Party is seeking indemnification under this Section 10.02, it shall inform the other Party of a claim as soon as reasonably practicable after it receives notice of the claim, shall permit the indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration), and shall cooperate as requested (at the expense of the indemnifying Party) in the defense of the claim.

Section 10.03 PERFORMANCE BY AFFILIATES. The Parties recognize that each Party may perform some or all of its obligations under this Agreement through Affiliates, PROVIDED, HOWEVER, that each Party shall remain responsible for and be a guarantor of the performance by its Affiliates and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance.

ARTICLE XI
INFORMATION AND REPORTS

Section 11.01 INFORMATION AND REPORTS DURING DEVELOPMENT AND COMMERCIALIZATION. Schering and Techniclone will disclose and make available (subject to any confidentiality agreements or requirements of law) to each other without charge all preclinical, clinical, regulatory, and other Information, including copies of all preclinical and clinical reports, known by Schering or Techniclone directly concerning the Product within the Field at any time during the term of this Agreement. Each Party shall own and maintain its own database of clinical trial data accumulated from all clinical trials of the Product for which it was responsible and of adverse drug event information for the Product. At the option of the requesting Party, such data shall be provided in a computer readable or other electronic format by the providing Party, to the extent available, which shall also assist in the transfer and validation of such data to the receiving Party. Without limitation of the foregoing, each Party shall supply to the other the Information required by the other Party and requested by it (either as a routine practice or as a specific request) for purposes of compliance with regulatory requirements. With respect to information concerning Commercialization, Schering agrees to keep Techniclone regularly informed on all post marketing activities, but shall have no obligation, except as specifically set forth in this Agreement, to share pricing, marketing or sales information with Techniclone.

Section 11.02 ADVERSE DRUG EXPERIENCES; COMPLAINTS. The Parties agree to enter into a standard operating procedure by and between the Parties to govern the exchange of Information relating to adverse drug experiences, Product quality, and Product complaints.

Section 11.03 RECORDS OF REVENUES AND EXPENSES. Each Party will maintain complete and accurate records which are relevant to revenues, costs, expenses and payments on a country-by-country basis in the Territory under this Agreement and such records shall be open during reasonable business hours for a period of two (2) years from creation of individual records for examination at the other Party's expense and not more often than once each year by a certified public accountant selected by the other Party, or the other Party's internal accountants unless the first Party objects to the use of such internal accountants, for the sole purpose of verifying for the inspecting Party the correctness of calculations and classifications of such revenues, costs, expenses or payments made under this Agreement. Each Party shall bear its own costs related to such audit; PROVIDED that, for any underpayments greater than five (5) percent by Schering, Schering shall pay Techniclone the amount of underpayment, interest as provided for in Section 6.03 from the time the amount was due and Techniclone's out-of-pocket expenses. For any underpayments less than five (5) percent by Schering found under this Section, Schering shall pay Techniclone the amount of underpayment. Any overpayments by Schering will be refunded to Schering or credited to future royalties, at Schering's election. Any records or accounting information received from the other Party shall be Confidential Information for purposes of Article VIII. Results of any such audit shall be provided to both Parties, subject to Article VIII.

(b) If there is a dispute between the Parties following any audit performed pursuant to Section 11.03(a), either Party may refer the issue (an "AUDIT DISAGREEMENT") to an independent certified public accountant for resolution. In the event an Audit Disagreement is submitted for resolution by either Party, the Parties shall comply with the following procedures:

(i) The Party submitting the Audit Disagreement for resolution shall provide written notice to the other Party that it is invoking the procedures of this Section 11.03(b).

(ii) Within thirty (30) business days of the giving of such notice, the Parties shall jointly select a recognized international accounting firm to act as an independent expert to resolve such Audit Disagreement.

(iii) The Audit Disagreement submitted for resolution shall be described by the Parties to the independent expert, which description may be in written or oral form, within ten (10) business days of the selection of such independent expert.

(iv) The independent expert shall render a decision on the matter as soon as practicable.

(v) The decision of the independent expert shall be final and binding unless such Audit Disagreement involves alleged fraud, breach of this Agreement or construction or interpretation of any of the terms and conditions hereof.

(vi) All fees and expenses of the independent expert, including any Third Party support staff or other costs incurred with respect to carrying out the procedures specified at the direction of the independent expert in connection with such Audit Disagreement, shall be borne by each Party in inverse proportion to the disputed amounts awarded to the Party by the independent expert through such decision (e.g. Techniclone disputes $100, the independent expert awards Techniclone $50, then each Party pays 1/2 of the independent expert's costs) in all other cases.

ARTICLE XII
TERM AND TERMINATION

Section 12.01 TERM. This Agreement shall commence as of the Effective Date and, unless sooner terminated as provided herein shall continue in effect until such time as (i) no royalties are payable under Article VI hereunder to Techniclone; and (ii) Techniclone's manufacturing obligations described in Article VII shall have terminated, provided that the license granted pursuant to Section 6.01(e) shall survive such termination.

Section 12.02 TERMINATION AT WILL.

(a) Notwithstanding any other term or provision hereof expressly or impliedly to the contrary, Schering may terminate this Agreement in its entirety or on a country-by-country basis, and be fully released of any obligations hereunder (except as is expressly provided for herein) as follows:

(i) immediately at any time if Schering determines, in its reasonable judgment, that there are issues of Safety or Tolerability;

(ii) immediately if (A) the FDA requires that the Existing Trials be repeated before a Phase III Clinical Trial can begin; (B) the FDA requires that a new Phase II Clinical Trial be conducted before a Phase III Clinical Trial can begin; (C) the FDA has not allowed the commencement of a Phase III Clinical Trial by [...***...]; (D) the FDA Conversion Meeting does not occur by [...***...]; or (E) Techniclone fails to deliver or it becomes reasonably clear that Techniclone will fail to deliver in time appropriate quantities of clinical supplies of Antibody, Product and Packaged Product such that Clinical Development is or will be delayed by a period of three (3) months or more beyond the date anticipated in the Development Plan.

(iii) upon ten days' written notice to Techniclone, if, based upon data from, or the results of, the first Phase III Clinical Trial of the Product, Schering determines, using its reasonable judgment, that such results do not support the submission of the Product for Regulatory Approval based upon the criteria for Regulatory Approval established at the Conversion Meeting or subsequently by the FDA (the "Approval Criteria");

(iv) upon ten days' written notice, given at any time prior to the receipt of Regulatory Approval, if Schering determines that for reasons of efficacy or risk/benefit therapeutic ratio, that the Product, in Schering's reasonable scientific or business discretion, is not considered acceptable, applying the standard of medical care and/or business judgment of major international pharmaceutical companies engaged in the oncology business, and taking into account the standard of medical care then applicable at major international oncology treatment centers;

(v) upon thirty days' written notice given at any time prior to Regulatory Approval, for any reason;

(vi) at any time after Regulatory Approval, upon twelve (12) months notice to Techniclone, for any reason; and

(vii) immediately if Techniclone has not concluded a definitive agreement (in compliance with Section 7.01) providing for a radiolabeling site for the production of Product and Packaged Product by [...***...].

[...***...] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

(b) TERMINATION FOR MATERIAL BREACH. Failure by Schering or Techniclone to comply with any of the respective material (which, for the purposes hereof, shall not include Section 3.05) obligations and conditions contained in this Agreement shall entitle the other Party to give the Party in default notice requiring it to cure such default. If such default is not cured within ninety (90) days after receipt of such notice, the notifying Party shall be entitled (without prejudice to any of its other rights conferred on it by this Agreement) to terminate this Agreement or in the event of an uncured material breach by Techniclone, effect the rights of Schering set forth in Section 12.02(e) by giving a notice to take effect immediately. Notwithstanding the foregoing, in the event of a non-monetary default, if the default is not reasonably capable of being cured within the ninety (90) day cure period by the defaulting Party and such defaulting Party is making a good faith effort to cure such default, the notifying Party may not terminate this Agreement, provided, however, that the notifying Party may terminate this Agreement if such default is not cured within one hundred eighty (180) days of such original notice of default. The right of either Party to terminate this Agreement as hereinabove provided shall not be affected in any way by its waiver of, or failure to take action with respect to any previous default.

(c) TERMINATION FOR INSOLVENCY. In the event that one of the Parties hereto shall go into liquidation, a receiver or a trustee be appointed for the property or estate of that Party and said receiver or trustee is not removed within sixty (60) days, or the Party makes an assignment for the benefit of creditors (collectively, a "BANKRUPTCY EVENT"), and whether any of the aforesaid Bankruptcy Events be the outcome of the voluntary act of that Party, or otherwise, the other Party shall be entitled to terminate this Agreement (or in the event Techniclone suffers such a Bankruptcy Event, Schering may effect its rights described in Section 12.02(e) forthwith by giving a written notice to Techniclone). Each Party agrees (to the extent it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim to take the benefit or advantage of, any stay or extension law or any other law wherever enacted, now or at any time hereafter in force, which would prohibit the termination of this Agreement or in any way modify the effects thereof as provided herein; and each Party (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the other Party, but will suffer and permit the execution of every power as though no such law had been enacted.

(d) EFFECT OF TERMINATION. (A) In the event that this Agreement is terminated by Schering in one or more countries or in its entirety in accordance with Section 12.02(a), or commercialization of the Product is discontinued by Schering in one or more countries pursuant to Section 6.01(d), or this Agreement is terminated by Techniclone pursuant to Section 12.02(b) in one or more countries if Schering either fails to use commercially reasonable efforts to enable the Product to obtain Regulatory Approval in those countries where Schering is obligated to do so pursuant to Section 3.03(b), or fails to Commercialize the Product in the countries where Schering is obligated to do so pursuant to Section 5.02, and in the event that the Agreement is terminated by either Party in its entirety in accordance with Sections 12.02(a),(b) or (c) hereof, as applicable, subject to Section 12.02(e), Schering will with respect to each country, as a whole, for which the termination applies:

(i) deliver to Techniclone the Techniclone Know-How and assign to Techniclone its rights in said Techniclone Know-How and Techniclone Patents if any, in either case relating solely to the country that is the subject of the termination;

(ii) not use the Techniclone Know-How as long as it has to be kept confidential pursuant to Article VIII hereof in such country;

(iii) not infringe any of the Techniclone Patents in such country;

(iv) make all payments incurred under this Agreement with respect to such country prior to the effective termination date;

(v) transfer all regulatory filings and approvals related to the Product in such country to Techniclone upon Techniclone's written request for same;

(vi) transfer to Techniclone responsibility for and control of ongoing work of Schering related to the Product, Affiliates and Third Parties in an expeditious and orderly manner with the costs for such work assumed by Techniclone as of the date of notice;

(vii) reconvey to Techniclone all rights to the trademark for "Oncolym" granted pursuant to Section 2.01; and

(viii) sell to Techniclone, at any time within ninety (90) days of such termination, at Techniclone's election, all or any portion of the inventory of the Product owned by Schering or its Affiliates which are intended for sale in such country at a price equal to Schering's or its Affiliate's cost for such inventory; such election shall be made by Techniclone in writing and within thirty (30) days of such election, Schering shall ship at Techniclone's cost and direction such inventory to Techniclone. Techniclone shall pay for such inventory within forty-five (45) days of receipt of such inventory.

(B) If as a result of the operation of Section 12.02(d)(A) Techniclone has the right to Commercialize the Product in one or more countries while Schering is Commercializing the Product in the United States or Europe, then upon written notice from Schering, Techniclone agrees to refrain from Commercializing the Product in any country in which such Commercialization, in the reasonable opinion of Schering, would have a material negative impact on Schering's Commercialization in the United States or Europe.

(e) EFFECT OF TERMINATION BY SCHERING PURSUANT TO SECTIONS 12.02(b) AND (c). In the event of a Bankruptcy Event or a material default described in Sections 12.02(b) and (c) by Techniclone (which default is not cured as provided therein), Schering may elect in lieu of terminating this Agreement to declare the license granted pursuant to this Agreement to be irrevocable. From the date of receipt of notice of such election, Techniclone shall have no further rights or obligations under this Agreement, except that Techniclone may enforce any financial obligations of Schering, including those arising under Section 3.04, Articles IV and VI herein before or after such election, and Schering may enforce any manufacturing and supply obligations of Techniclone, including those arising under Section 12.02(g); PROVIDED that if such election occurs prior to the First Commercial Sale of the Product, any additional Development Expenses and reasonable costs incurred by Schering to Commercialize the Product as a result of such election shall be credited against amounts payable by Schering to Techniclone.

(f) EFFECT OF TERMINATION BY SCHERING PURSUANT TO CERTAIN SUBSECTIONS OF SECTION 12.02(a). If Schering terminates this Agreement pursuant to:

A. Section 12.02(a)(i), (iii), or (iv), THEN Schering shall reimburse Techniclone for eighty percent (80%) of the non-cancellable Third Party Costs ("Non-cancellable Costs") that Techniclone may incur after the effective time of termination with respect only to clinical trials underway at such effective time; PROVIDED, HOWEVER, that Schering's eighty percent (80%) share of Non-cancellable Costs shall not exceed $1,500,000; or

B. Section 12.02(a)(v), THEN Schering shall, if a Phase III Clinical Trial is then underway for the Product, be obligated to fund all one hundred percent (100%) of the costs of completing all then ongoing Phase III Clinical Trials for the Product ("Completion Costs"); PROVIDED, HOWEVER, that amounts payable under this subsection (B) shall not exceed $3,000,000.

(g) OBLIGATIONS OF MANUFACTURING PARTY. In the event of termination of this Agreement pursuant to this Section 12.02 where the Party terminating this Agreement is the Manufacturing Party, the Manufacturing Party shall continue to provide for manufacture of the Antibody, Product and/or Packaged Product, as applicable, to the extent provided prior to notice of such termination, from the effective date of such termination until such reasonable time as the Non-Manufacturing Party is able to secure an equivalent alternative commercial manufacturing source, as requested by the Non-Manufacturing Party.

(h) GENERAL. Except where expressly provided for otherwise in this Agreement, termination of this Agreement shall not relieve the Parties hereto of any liability, including any obligation to make payments hereunder, which accrued hereunder prior to the effective date of such termination, nor preclude any Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice any Party's right to obtain performance of any obligation.

(i) TECHNICLONE ROYALTY TO SCHERING. In the event that Schering terminates this Agreement under Section 12.02(a)(ii), or terminates this Agreement and pays Completion Costs to Techniclone under Section 12.02(f), and, after such termination by Schering, either Techniclone or a Techniclone Affiliate or a Techniclone licensee or distributor or an acquirer of all or substantially all of the shares or assets of Techniclone markets the Product in any country of the Territory, then: (i) Techniclone (in the case of marketing by Techniclone or a Techniclone Affiliate, licensee, or distributor) or such acquirer of the shares or assets of Techniclone shall pay Schering a royalty of three (3%) percent of Techniclone's or such Affiliate's, licensee's, distributor's or acquirer's Net Sales of the Product until Schering receives (A) if Schering terminates pursuant to Section 12.02(a)(ii), an amount in cash equal to $3,000,000.00 or (B) if Schering terminates and pays Completion Costs to Techniclone under Section 12.02(f), an amount in cash equal to one-half of the amount of Completion Costs paid to Techniclone under Section 12.02(f); (ii) the royalty payable by Techniclone or such acquirer to Schering shall be paid on the terms (except for the royalty rate) set forth in Sections 6.02 through 6.06 for the payment of the royalty from Schering to Techniclone; and (iii) Techniclone shall contractually obligate any acquirer of all or substantially all of the shares or assets of Techniclone to abide by the terms of this Agreement, including without limitation this Section 12.02(i).

Section 12.03 SURVIVING RIGHTS. The rights and obligations set forth in this Agreement shall extend beyond the term or termination of the Agreement only to the extent expressly provided for herein, or the extent that the survival of such rights or obligations are necessary to permit their complete fulfillment or discharge.

ARTICLE XIII
INDEMNIFICATION

Section 13.01 INDEMNIFICATION. With respect to the Product (determined on a country by country basis):

(a) Except as provided in Article 13.01(b) and in the exception specified below, Schering hereby agrees to save, defend and hold Techniclone and its directors, officers, agents and employees harmless from and against any and all suits, claims, actions, demands, liabilities, expenses and/or losses, including reasonable legal expenses and attorneys' fees (collectively, "LOSSES"), resulting from the commercial sale of the Product except to the extent such Losses result from the negligence or willful misconduct of Techniclone or a breach by Techniclone of any warranty, covenant or obligation under Article VII, in which case Techniclone hereby agrees to save, defend and hold Schering and its directors, officers, agents and employees harmless from any and all such Losses.

(b) Except as provided in Article 13.01(a), Schering and Techniclone hereby agree to save, defend and hold the other Party and its directors, officers, agents and employees harmless from and against any and all Losses resulting directly from the Development of the Product to the extent such Development was performed by such Party except to the extent such Losses result from the negligence or willful misconduct of the other Party, in which case such Party hereby agrees to save, defend and hold the other Party and its agents and employees harmless from any and all such Losses.

(c) Each indemnified Party agrees to give the indemnifying Party prompt written notice of any Loss or discovery of fact upon which such indemnified Party intends to base a request for indemnification under Sections 13.01(a) or (b). Each Party shall furnish promptly to the other copies of all papers and official documents received in respect of any Loss. With respect to any Loss relating solely to the payment of money damages and which will not result in the indemnified Party becoming subject to injunctive or other relief or otherwise adversely affecting the business of the indemnified Party in any manner, and as to which the indemnifying Party shall have acknowledged in writing the obligation to indemnify the indemnified Party hereunder, the indemnifying Party shall have the sole right to defend, settle or otherwise dispose of such Loss, on such terms as the indemnifying Party, in its sole discretion, shall deem appropriate. The indemnifying Party shall obtain the written consent of the indemnified Party, which shall not be unreasonably withheld or delayed, prior to ceasing to defend, settling or otherwise disposing of any Loss if as a result thereof the indemnified Party would become subject to injunctive or other equitable relief, or any remedy other than the payment of money which is the responsibility of the indemnifying Party. The indemnifying Party shall not be liable for any settlement or other disposition of a Loss by the indemnified Party which is reached without the written consent of the indemnifying Party. The reasonable costs and expenses, including reasonable fees and disbursements of counsel incurred by any indemnified Party in connection with any Loss, shall be reimbursed on a quarterly basis by the indemnifying Party, without prejudice to the indemnifying Party's right to contest the indemnified Party's right to indemnification and subject to refund in the event the indemnifying Party is ultimately held not to be obligated to indemnify the indemnified Party.

ARTICLE XIV
MISCELLANEOUS

Section 14.01 ASSIGNMENT. Schering may assign any of its rights or obligations under this Agreement in any country to any of its Affiliates or to any sublicensee as provided in Section 2.01; PROVIDED, HOWEVER, that such assignment shall not relieve Schering of its responsibilities for performance of its obligations under this Agreement.

(b) This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties. Any assignment not in accordance with this Agreement shall be void.

Section 14.02 RETAINED RIGHTS. Nothing in this Agreement shall limit in any respect the right of either Party to conduct research and development and to market products using such Party's technology other than as herein expressly provided.

Section 14.03 FURTHER ACTIONS. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

Section 14.04 NO TRADEMARK RIGHTS. Except as otherwise provided herein, no right, express or implied, is granted by the Agreement to use in any manner the name "Schering," "Schering," or "Techniclone" or any other trade name or trademark of the other Party or its Affiliates in connection with the performance of the Agreement.

Section 14.05 NOTICES. All notices hereunder shall be in writing and shall be deemed given if delivered personally or two days after mailed by registered or certified mail (return receipt requested), postage prepaid, or sent by express courier service, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice; PROVIDED that notices of a change of address shall be effective only upon receipt thereof).

(a) If to Techniclone:

President
Techniclone Corporation
14282 Franklin Avenue
Tustin, CA 92680

With a copy to:

Rutan & Tucker, LLP
611 Anton Boulevard
Suite 1400
Costa Mesa, CA 92626
Attention: Thomas J. Crane

(b) If to Schering:

Schering Aktiengesellschaft
13342 Berlin
Germany
Attention: Head of Oncology SBU

With a copy to:

Schering Aktiengesellschaft
13342 Berlin
Germany
Attention: Legal Department

With a copy to:

Brobeck, Phleger & Harrison LLP
One Market
Spear Street Tower
San Francisco, CA 94105
Attention: Michael J. Kennedy

Section 14.06 WAIVER. Except as specifically provided for herein, the waiver from time to time by either of the Parties of any of their rights or their failure to exercise any remedy shall not operate or be construed as a continuing waiver of same or any other of such Party's rights or remedies provided in this Agreement.

Section 14.07 SEVERABILITY. If any term, covenant or condition of this Agreement or the application thereof to any Party or circumstances shall, to any extent or in any country, be held to be invalid or unenforceable, then (i) the remainder of this Agreement, or the application of such term, covenant or condition to Parties or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each other term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law; and (ii) the Parties hereto covenant and agree to renegotiate any such term, covenant or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Agreement or the application thereof that is invalid or unenforceable, it being the intent of the Parties that the basic purposes of this Agreement are to be effectuated.

Section 14.08 AMBIGUITIES. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision.

Section 14.09 GOVERNING LAW. This Agreement shall be governed by and interpreted under the laws of the State of New York as applied to contracts entered into and performed entirely in New York by New York residents.

Section 14.10 HEADINGS. The sections and paragraph headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said sections or paragraphs.

Section 14.11 COUNTERPARTS. This Agreement may be executed in one or more counterparts (and by facsimile), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 14.12 ENTIRE AGREEMENT; AMENDMENTS. This Agreement, including all Exhibits attached hereto and thereto, and all documents delivered concurrently herewith and therewith, set forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersede and terminate all prior agreements and understandings between the Parties. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties. This Agreement, including without limitation the exhibits, schedules and attachments thereto, are intended to define the full extent of the legally enforceable undertakings of the Parties hereto, and no promise or representation, written or oral, which is not set forth explicitly herein or therein is intended by either party to be legally binding. Both Parties acknowledge that in deciding to enter into the Agreement and to consummate the transaction contemplated hereby neither has relied upon any statement or representations, written or oral, other than those explicitly set forth herein.

Section 14.13 EXPENSES. Except as otherwise specified in this Agreement, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, travel, lodging, meals and entertainment incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 14.14 INDEPENDENT CONTRACTORS. The status of the Parties under this Agreement shall be that of independent contractors. Neither Party shall have the right to enter into any agreements on behalf of the other Party, nor shall it represent to any person that it has any such right or authority. Nothing in this Agreement shall be construed as establishing a partnership or joint venture relationship between the Parties. This Agreement is not intended to be a partnership between Techniclone and Schering for federal, state or local income tax purposes.

IN WITNESS WHEREOF, Techniclone and Schering have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

TECHNICLONE CORPORATION

By: \S\ LARRY O. BYMASTER

Name: LARRY O. BYMASTER
Title: PRESIDENT & CHIEF EXECUTIVE OFFICER

SCHERING AG

By: \S\ G. STOCK

Name: PROF. G. STOCK
Title: MEMBER OF EXECUTIVE BOARD OF DIRECTORS

By: \S\ J. F. KAPP

Name: DR. J. F. KAPP
Title: HEAD OF STRATEGIC BUSINESS UNIT, THERAPEUTIC

EXHIBIT A-1
TECHNICLONE PATENTS

1. USP 4,724,213 issued February 9, 1988; Epstein, "Murine Hypridoma LYM-1 and Diagnostic Antibody Produced Thereby."

EXHIBIT A-2

THIRD PARTY AGREEMENTS (EXCLUDING LICENSES)

None.

EXHIBIT B
DEVELOPMENT PLAN AND BUDGET

[...***...]

[...***...] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

EXHIBIT C

THIRD PARTY LICENSES

License Agreement dated June 12, 1985 by and between Northwestern University and Techniclone ("Hybrid-Clone 173-9, Lym-1" (NU 8314-A) only).

Agreement dated October 28, 1992 by and among Techniclone, Cancer Biologics, Inc. and American Cyanamid.

Termination and Transfer Agreement dated as of November 14, 1997 by and between Techniclone and Alpha Therapeutic Corporation.

Option Agreement dated October 23, 1998 by and between Techniclone and Biotechnology Development, Ltd., as amended.

Option Agreement dated February 29, 1996 by and between Techniclone and Biotechnology Development Limited.

Distribution Agreement dated as of February 29, 1996 by and between Biotechnology Development, Ltd. and Techniclone.

EXHIBIT D

VTA TERM SHEET

[...***...]

[...***...] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 OF SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

EXHIBIT 21

TECHNICLONE CORPORATION
SUBSIDIARY OF REGISTRANT

On April 24, 1997, the Company acquired its wholly-owned subsidiary, Peregrine Pharmaceuticals, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 2-85628, 33-15102, 33-87662, 33-87664 and 333-17513) of Techniclone Corporation of our report dated July 2, 1999, with respect to the consolidated financial statements and schedule of Techniclone Corporation included in the Annual Report (Form 10-K) for the year ended April 30, 1999.

/s/ ERNST & YOUNG LLP

Orange County, California
July 23, 1999

EXHIBIT 23.2

TECHNICLONE CORPORATION
INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 2-85628, 33-15102, 33-87662, 33-87664 and 333-17513 of Techniclone Corporation on Form S-8 of our report dated June 15, 1998, which includes an explanatory paragraph regarding substantial doubt about the Company's ability to continue as a going concern, appearing in this Annual Report on Form 10-K of Techniclone Corporation for the year ended April 30, 1999.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
July 23, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-K
FOR THE PERIOD ENDED 4/30/99.

0000704562
TECHNICLONE CORPORATION
1,000
U.S. DOLLARS

12-MOS	
APR-30-1999	
MAY-01-1998	
APR-30-1999	
1,000	
	2,385
	0
	480
	201
	57
3,214	
	3,007
1,067	
7,370	
6,005	
	0
0	
	0
	73
	(2,060)
7,370	
	0
	0
	0
19,873	
(380)	
0	
428	
(19,493)	
	0
(19,493)	
	0
	0
	0
(19,493)	
(0.30)	
(0.30)	