UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2010

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-17085

PEREGRINE PHARMACEUTICALS, INC.

(Exact name of Registrant as specified in its charter)

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

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

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

Yes ☒ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

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

Large Accelerated Filer o Accelerated Filer ☒

Non- Accelerated Filer o Smaller reporting company o
(Do not check if a smaller reporting company)

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

Yes o No ☒

As of August 31, 2010, there were 56,190,285 shares of common stock, $0.001 par value, outstanding.

PEREGRINE PHARMACEUTICALS, INC.

TABLE OF CONTENTS

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

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	JULY 31, 2010	APRIL 30, 2010
	Unaudited	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 17,983,000	$ 19,681,000
Trade and other receivables, net	1,292,000	1,481,000
Government contract receivables	590,000	367,000
Inventories, net	4,692,000	3,123,000
Debt issuance costs, current portion	94,000	122,000
Prepaid expenses and other current assets, net	1,703,000	2,004,000
Total current assets	26,354,000	26,778,000
PROPERTY:		
Leasehold improvements	713,000	697,000
Laboratory equipment	4,278,000	4,221,000
Furniture, fixtures, office equipment and software	1,364,000	917,000
	6,355,000	5,835,000
Less accumulated depreciation and amortization	(4,504,000)	(4,366,000)
Property, net	1,851,000	1,469,000
OTHER ASSETS:		
Debt issuance costs, less current portion	8,000	21,000
Other assets	1,088,000	1,067,000
Total other assets	1,096,000	1,088,000
TOTAL ASSETS	$ 29,301,000	$ 29,335,000

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

	JULY 31, 2010	APRIL 30, 2010
	Unaudited	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 2,681,000	$ 2,259,000
Accrued clinical trial site fees	1,762,000	2,666,000
Accrued payroll and related costs	1,773,000	1,623,000
Notes payable, current portion and net of discount	1,946,000	1,893,000
Deferred revenue	3,719,000	2,406,000
Deferred government contract revenue	47,000	78,000
Customer deposits	2,191,000	2,618,000
Other current liabilities	1,039,000	860,000
Total current liabilities	15,158,000	14,403,000
Notes payable, less current portion and net of discount	712,000	1,315,000
Deferred revenue	125,000	-
Other long-term liabilities	469,000	210,000
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock-$0.001 par value; authorized 5,000,000 shares; non-voting; nil shares outstanding	-	-
Common stock-$0.001 par value; authorized 325,000,000 shares; outstanding – 55,784,955 and 53,094,896, respectively	56,000	53,000
Additional paid-in capital	282,330,000	275,208,000
Accumulated deficit	(269,549,000)	(261,854,000)
Total stockholders' equity	12,837,000	13,407,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 29,301,000	$ 29,335,000

See accompanying notes to condensed consolidated financial statements

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED	
	July 31, 2010	**July 31, 2009**
	Unaudited	*Unaudited*
REVENUES:		
Contract manufacturing revenue	$ 983,000	$ 2,070,000
Government contract revenue	2,111,000	4,671,000
License revenue	115,000	9,000
Total revenues	3,209,000	6,750,000
COSTS AND EXPENSES:		
Cost of contract manufacturing	1,156,000	1,073,000
Research and development	7,067,000	6,074,000
Selling, general and administrative	2,498,000	1,793,000
Total costs and expenses	10,721,000	8,940,000
LOSS FROM OPERATIONS	(7,512,000)	(2,190,000)
OTHER INCOME (EXPENSE):		
Interest and other income	18,000	40,000
Interest and other expense	(201,000)	(278,000)
NET LOSS	$ (7,695,000)	$ (2,428,000)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	54,357,574	46,808,791
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.14)	$ (0.05)

See accompanying notes to condensed consolidated financial statements

PEREGRINE PHARMACEUTICALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED JULY 31,	
	2010	2009
	Unaudited	*Unaudited*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (7,695,000)	$ (2,428,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	138,000	116,000
Share-based compensation	643,000	162,000
Amortization of discount on notes payable and debt issuance costs	108,000	126,000
Amortization of expenses paid in shares of common stock	239,000	-
Changes in operating assets and liabilities:		
Trade and other receivables	189,000	55,000
Government contract receivables	(223,000)	495,000
Inventories, net	(1,569,000)	(1,470,000)
Prepaid expenses and other current assets, net	62,000	475,000
Other non-current assets	129,000	(12,000)
Accounts payable	416,000	(452,000)
Accrued clinical trial site fees	(904,000)	138,000
Accrued payroll and related costs	150,000	155,000
Deferred revenue	1,438,000	1,979,000
Deferred government contract revenue	(31,000)	(1,539,000)
Customer deposits	(427,000)	(1,321,000)
Other accrued expenses and current liabilities	266,000	(93,000)
Net cash used in operating activities	(7,071,000)	(3,614,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property acquisitions	(514,000)	-
Decrease (increase) in other assets	30,000	(43,000)
Net cash used in investing activities	(484,000)	(43,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net of issuance costs of $162,000 and $305,000, respectively	6,482,000	6,590,000
Principal payments on notes payable and capital leases	(625,000)	(173,000)
Net cash provided by financing activities	5,857,000	6,417,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,698,000)	2,760,000
CASH AND CASH EQUIVALENTS, beginning of period	19,681,000	10,018,000
CASH AND CASH EQUIVALENTS, end of period	$ 17,983,000	$ 12,778,000
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property acquired under capital lease	$ 180,000	$ -
Accounts payable for purchase of property	$ 6,000	$ 9,000

See accompanying notes to condensed consolidated financial statements

1. ORGANIZATION AND BUSINESS

Peregrine Pharmaceuticals, Inc. (“Peregrine” or “Company”) is a clinical-stage biopharmaceutical company developing first-in-class monoclonal antibodies for the treatment of cancer and viral infections. The Company is advancing three independent Phase II oncology programs as well as a Phase I hepatitis C virus (“HCV”) program with its lead product candidates bavituximab and Cotara®. Peregrine also has in-house manufacturing capabilities through its wholly owned subsidiary Avid Bioservices, Inc. (“Avid”), which provides integrated biomanufacturing services for both Peregrine and outside customers on a fee-for-service basis.

2. BASIS OF PRESENTATION

The accompanying interim unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) related to quarterly reports on Form 10-Q. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for a complete set of financial statements. These interim unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended April 30, 2010. The unaudited financial informatio n for the interim periods presented herein reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial condition and results of operations for the periods presented, with such adjustments consisting only of normal recurring adjustments. Results of operations for interim periods covered by this quarterly report on Form 10-Q may not necessarily be indicative of results of operations for the full fiscal year.

The interim unaudited condensed consolidated financial statements include the accounts of Peregrine Pharmaceuticals, Inc., and its wholly owned subsidiary, Avid Bioservices, Inc. All intercompany accounts and transactions have been eliminated in the interim unaudited condensed consolidated financial statements.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts, as well as disclosures of commitments and contingencies in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reverse Stock Split

On October 16, 2009, we filed a Certificate of Amendment to our Certificate of Incorporation with the Secretary of State of the State of Delaware to effect a reverse split of our common stock at a ratio of one-for-five. The reverse stock split was effective at the close of business on October 16, 2009. All fractional shares created by the reverse stock split were rounded up to the nearest whole share. All historical share and per share amounts have been adjusted to reflect the reverse stock split.

Reclassification

Certain comparative amounts in the interim unaudited condensed consolidated financial statements for the quarter ended July 31, 2009 have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported operating expenses or net loss.

Going Concern

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

At July 31, 2010, we had $17,983,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect the negative cash flows from operations to continue for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2010, 2009 and 2008 amounted to $14,494,000, $16,524,000, and $23,176,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, issuing additional equity or debt.

With respect to financing our operations through the issuance of equity, during the quarter ended July 31, 2010, we raised $6,644,000 in gross proceeds. As of July 31, 2010, gross proceeds of up to $23,924,000 remained available under an effective shelf registration statement.

In addition, we may also raise additional capital through additional equity offerings, licensing our products in development, procuring additional government contracts and grants, or increasing revenue from our wholly owned subsidiary, Avid. While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that we will be successful in procuring additional government contracts and grants, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed c ontracts with existing customers of Avid, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the third quarter ending January 31, 2011 of our current fiscal year based on current assumptions. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of third party or government contracts, technical challenges, or possible reductions in funding under our government contract, which could reduce or delay our future projected cash-inflows. In addition, under our Loan Agreement (see Note 7), in the event our government contract with the Transformational Medical Technologies ("TMT") is terminated or canceled for any reason, including reasons pertaining to budget cuts by the government or reduction in government funding for the program, we would be required to set aside c ash and cash equivalents in an amount equal to 80% of the outstanding loan balance (or $2,173,000 as of July 31, 2010) in a restricted collateral account non-accessible by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the third quarter of our current fiscal year unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

We currently derive revenue from the following three sources: (i) contract manufacturing services provided by Avid, (ii) licensing revenues related to agreements associated with Peregrine's technologies under development, and (iii) government contract revenues for services provided under a government contract awarded to Peregrine through the Transformational Medical Technologies ("TMT") of the U.S. Department of Defense's Defense Threat Reduction Agency.

We recognize revenue in accordance with the authoritative guidance for revenue recognition. We recognize revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery (or passage of title) has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. We also comply with the authoritative guidance for revenue recognition regarding arrangements with multiple deliverables.

In addition, we also follow the authoritative guidance when reporting revenue as gross when we act as a principal versus reporting revenue as net when we act as an agent. For transactions in which we act as a principal, have discretion to choose suppliers, bear credit risk and perform a substantive part of the services, revenue is recorded at the gross amount billed to a customer and costs associated with these reimbursements are reflected as a component of cost of sales for contract manufacturing services and research and development expense for services provided under our contract with the TMT.

Contract Manufacturing Revenue - Revenue associated with contract manufacturing services provided by Avid are recognized once the service has been rendered and/or upon shipment (or passage of title) of the product to the customer. On occasion, we recognize revenue on a "bill-and-hold" basis in accordance with the authoritative guidance. Under "bill-and-hold" arrangements, revenue is recognized once the product is complete and ready for shipment, title and risk of loss has passed to the customer, management receives a written request from the customer for "bill-and-hold" treatment, the product is segregated from other inventory, and no further performance obligations exist. There was no revenu e recognized under a "bill-and-hold" arrangement during the quarter ended July 31, 2010.

Any amounts received prior to satisfying our revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated financial statements. We also record a provision for estimated contract losses, if any, in the period in which they are determined.

License Revenue - Revenue associated with licensing agreements primarily consist of non-refundable upfront license fees, non-refundable annual license fees and milestone payments. Non-refundable upfront license fees received under license agreements, whereby continued performance or future obligations are considered inconsequential to the relevant license technology, are recognized as revenue upon delivery of the technology.

If a license agreement has multiple element arrangements, we analyze and determine whether the deliverables, which often include performance obligations, can be separated or whether they must be accounted for as a single unit of accounting in accordance with the authoritative guidance. Under multiple element arrangements, we recognize revenue for delivered elements only when the delivered element has stand-alone value and we have objective and reliable evidence of fair value for each undelivered element. If the fair value of any undelivered element included in a multiple element arrangement cannot be objectively determined, the arrangement would then be accounted for as a single unit of accounting, and revenue is recognized over the estimated period of when the performance obligation(s) are per formed.

In addition, under certain circumstances, when there is objective and reliable evidence of the fair value of the undelivered items in an arrangement, but no such evidence for the delivered items, we utilize the residual method to allocate the consideration received under the arrangement. Under the residual method, the amount of consideration allocated to delivered items equals the total arrangement consideration less the aggregate fair value of the undelivered items, and revenue is recognized upon delivery of the undelivered items based on the relative fair value of the undelivered items.

Revenue recognized under licensing agreements is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned as of the period ending date. Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying unaudited condensed consolidated financial statements.

Non-refundable annual license fees are recognized as revenue on the anniversary date of the agreement in accordance with the authoritative guidance for revenue recognition. Milestone payments are recognized as revenue upon the achievement of the specified milestone, provided that (i) the milestone event is substantive in nature and the achievement of the milestone is not reasonably assured at the inception of the agreement, (ii) the fees are non-refundable, and (iii) there is no continuing performance obligations associated with the milestone payment. Any milestone payments received prior to satisfying these revenue recognition criteria are recorded as deferred revenue in the accompanying unaudited condensed consolidated financial statements.

Government Contract Revenue - On June 30, 2008, we were awarded up to a five-year government contract (the "Government Contract") potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The contract was awarded through the Transformational Medical Technologies ("TMT") of the U.S. Department of Defense's Defense Threat Reduction Agency. This Government Contract was originally expected to provide us with up to $22.3 million in funding over an initial two-year base period ending June 29, 2010. However, the Government Contract was subsequently extended for several wee ks for no additional funding to complete ongoing pre-clinical studies and to determine potential next steps under the Government Contract. As of the filing date of this Form 10-Q, we have not received notification from the TMT regarding whether or not the base period has been extended or if we will receive additional funding beyond the base period. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended by the TMT beyond the base period to cover up to $44.4 million in funding through the exercise of one-year option periods not to exceed the government's maximum five-year period for contracts. However, due to the uncertainty regarding the extension of the contract beyond the base period, there is no guarantee we wil l receive additional funding beyond what was allocated to the base period.

The Government Contract is classified as a “cost-plus-fixed-fee” contract. We recognize government contract revenue in accordance with the authoritative guidance for revenue recognition including the authoritative guidance specific to federal government contracts. Reimbursable costs under the contract primarily include direct labor, subcontract costs, materials, equipment, travel, and indirect costs. In addition, we receive a fixed fee for our efforts equal to 9.9% of the reimbursable costs incurred under the Government Contract, which is unconditionally earned as allowable costs are billed and is not contingent on success factors. Reimbursable costs under this Government Contract, including the fixed fee, are generally recognized as revenue in the period the r eimbursable costs are incurred and become billable. However, when amounts billable, including the fixed fee, are not reasonably related to the proportionate performance of the total work or services to be performed, we recognize revenue on a proportional performance basis. In addition, reimbursable costs, including the fixed fee, associated with manufacturing services are recognized as revenue once delivery (or passage of title) has occurred. Amounts billable (including the fixed fee) prior to satisfying revenue recognition criteria are classified as deferred government contract revenue in the accompanying unaudited condensed consolidated financial statements.

Fair Value of Financial Instruments

The carrying amounts of our short-term financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate their fair values due to their short maturities. The fair value of our note payable is estimated based on the quoted prices for the same or similar issues or on the current rates offered to us for debt of the same remaining maturities.

Fair Value Measurements

We determine fair value measurements in accordance with the authoritative guidance for fair value measurements and disclosures for all assets and liabilities within the scope of this guidance. This guidance clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The guidance also clarifies its application in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The guidance prioritizes the inputs used in measuring fair value into the following hierarchy:

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

As of July 31, 2010, we do not have any Level 2 or Level 3 financial assets or liabilities and our cash and cash equivalents are carried at fair value based on quoted market prices for identical securities (Level 1 input).

Share-Based Compensation

We account for stock options and restricted stock awards granted under our equity compensation plans in accordance with the authoritative guidance for share-based compensation. The estimated fair value of share-based payments to employees in exchange for services is measured at the grant date, using a fair value based method, and is recognized as expense on a straight-line basis over the requisite service periods. Share-based compensation expense recognized during the period is based on the value of the portion of the share-based payment that is ultimately expected to vest during the period. Share-based compensation expense for a share-based payment with a performance condition is recognized on a straight-line basis over the requisite service period when the achievement of the perfor mance condition is determined to be probable. If a performance condition is not determined to be probable or is not met, no share-based compensation is recognized and any previously recognized compensation expense is reversed.

In addition, we periodically grant stock options and restricted stock awards to non-employee consultants, which we account for in accordance with the authoritative guidance for share-based compensation. The cost of non-employee services received in exchange for share-based awards are measured based on either the fair value of the consideration received or the fair value of the share-based award issued, whichever is more reliably measurable. In addition, guidance requires share-based compensation related to unvested options and awards issued to non-employees to be recalculated at the end of each reporting period based upon the fair market value on that date until the share-based award has vested, and any adjustment to share-based compensation resulting from the remeasurement is recognized in the current period.

Total share-based compensation expense related to stock options and restricted stock awards for the three-month period ended July 31, 2010 and 2009 are included in the accompanying interim unaudited condensed consolidated statements of operations as follows:

	Three Months Ended July 31,	
	2010	**2009**
Research and development	$ 254,000	$ 84,000
Selling, general and administrative	389,000	78,000
Total share-based compensation expense	$ 643,000	$ 162,000
Share-based compensation from:		
Stock options	$ 634,000	$ 162,000
Restricted stock awards	9,000	-
	$ 643,000	$ 162,000

As of July 31, 2010, the total estimated unrecognized compensation cost related to non-vested stock options was $4,230,000. This cost is expected to be recognized over a weighted average vesting period of 1.74 years based on current assumptions.

As of July 31, 2010, there was no unrecognized compensation cost related to non-vested restricted stock awards as we did not deem it probable at July 31, 2010 that any of the predetermined performance conditions underlying the non-vested performance-based restricted stock awards would be achieved by their respective targeted attainment dates, which range from September 30, 2010 through July 15, 2011.

Comprehensive Loss

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

Basic and Dilutive Net Loss Per Common Share

Basic net loss per common share is computed by dividing our net loss by the weighted average number of common shares outstanding during the period excluding the dilutive effects of options, stock awards and warrants in accordance with the authoritative guidance. Diluted net loss per common share is computed by dividing the net loss by the sum of the weighted average number of common shares outstanding during the period plus the potential dilutive effects of stock options, stock awards and warrants outstanding during the period calculated in accordance with the treasury stock method, but are excluded if their effect is anti-dilutive. Because the impact of options, awards and warrants are anti-dilutive during periods of net loss, there was no difference between basic and diluted loss per share am ounts for the three months ended July 31, 2010 and 2009.

The calculation of weighted average diluted shares outstanding excludes the dilutive effect of outstanding stock options, stock awards and warrants to purchase up to 275,069 and 639,462 shares of common stock for the three months ended July 31, 2010 and 2009, respectively, since their impact are anti-dilutive during periods of net loss.

The calculation of weighted average diluted shares outstanding also excludes weighted average outstanding stock options, stock awards and warrants to purchase up to 4,345,641 and 1,736,693 shares of common stock for the three months ended July 31, 2010 and 2009, respectively, as their exercise prices were greater than the average market price of our common stock during the respective periods, resulting in an anti-dilutive effect.

4. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

In October 2009, the Financial Accounting Standards Board ("FASB") issued an accounting standards update that requires an entity to allocate arrangement consideration at the inception of an arrangement to all of its deliverables based on their relative selling prices, eliminates the use of the residual method of allocation, and requires the relative-selling-price method in all circumstances in which an entity recognizes revenue of an arrangement with multiple deliverables. This guidance will be effective for revenue arrangements entered into or materially modified for fiscal years beginning on or after June 15, 2010, which will be our fiscal year 2012, with earlier application permitted. We have not yet evaluated the potential impact of adopting this guidance on our consolidated financial statements.

In April 2010, the FASB issued an accounting standards update that provides guidance on the milestone method of revenue recognition for research and development arrangements. This guidance allows an entity to make an accounting policy election to recognize a payment that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. This guidance will be effective for fiscal years beginning on or after June 15, 2010, which will be our fiscal year 2012, and may be applied prospectively to milestones achieved after the adoption date or retrospectively for all periods presented, with earlier application permitted. We have not yet evaluated the potential impact of adopting this guidance on our consolidated financial statements.

5. ACCOUNTS RECEIVABLE

Accounts receivable is recorded at the invoiced amount net of an allowance for doubtful accounts, if necessary. Trade and other receivables primarily include amounts billed for contract manufacturing services provided by Avid (“trade” receivables). Government contract receivables include amounts billed under our contract with the Transformational Medical Technologies (“TMT”) of the U.S. Department of Defense’s Defense Threat Reduction Agency.

We continually monitor our allowance for doubtful accounts for all receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables and we estimate an allowance for doubtful accounts based on these factors at that point in time. With respect to our trade and other receivables, we determined a $20,000 allowance for doubtful accounts was necessary based on our analysis as of July 31, 2010. With respect to our government contract receivables, we have not recorded an allowance for doubtful accounts as of July 31, 2010 based on our analysis.

6. INVENTORIES

Inventories are stated at the lower of cost or market and primarily include raw materials, direct labor and overhead costs associated with our wholly owned subsidiary, Avid.

Inventories consist of the following at July 31, 2010 and April 30, 2010:

	July 31, 2010	April 30, 2010
Raw materials	$ 1,718,000	$ 1,243,000
Work-in-process	2,974,000	1,880,000
Total inventories, net	$ 4,692,000	$ 3,123,000

7. NOTE PAYABLE

On December 9, 2008, we entered into a loan and security agreement whereby we borrowed $5,000,000 (“Loan Agreement”) from MidCap Financial LLC and BlueCrest Capital Finance, L.P (collectively, the “Lenders”).

Under the Loan Agreement, the outstanding principal balance each month will bear interest at the then current thirty (30) day LIBOR rate (set at a floor of 3%) plus 9% (12% from inception to July 31, 2010). The Loan Agreement allowed for interest-only payments during the initial six (6) months through July 2009 followed by thirty (30) equal monthly principal payments plus interest. The Loan Agreement, which is secured by generally all assets of the Company, contains customary covenants that, among other things, generally restrict our ability to incur additional indebtedness. In addition, the Loan Agreement contains a covenant, whereby if our contract with the TMT is terminated while the loan is outstanding, we would be required to set aside cash and cash equivalents in an amount equa l to at least 80% of the outstanding loan balance (or $2,173,000 as of July 31, 2010) in a secured account over which we will not be permitted to make withdrawals or otherwise exercise control. Moreover, the Loan Agreement includes a Material Adverse Change clause whereby if there is a material impairment in the priority of Lenders’ lien in the collateral or in the value of such collateral, or if we encounter a material adverse change in our business, operations, or condition (financial or otherwise), or a material impairment of the prospect of repayment of any portion of the loan, then an event of default can be invoked by the Lenders. As of July 31, 2010, we are in compliance with all Loan Agreement covenants.

In connection with the Loan Agreement, we issued warrants to purchase an aggregate of 338,410 shares of our common stock at an exercise price of $1.48 per share. The fair value of the warrants was $414,000, and this amount was credited to additional paid-in capital and reduced the carrying value of the debt, reflected as a debt discount in the accompanying unaudited condensed consolidated financial statements. The debt discount is being amortized as a non-cash interest expense over the term of the outstanding loan using the effective interest method. The fair value of the warrants was determined using the Black-Scholes model with the following assumptions: estimated volatility of 70.72%; risk free interest rate of 2.00%; an expected life of five years; and no dividend yiel d.

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

As of July 31, 2010, we will make the following principal payments under the Loan Agreement in the years ending April 30,

2011	$	1,383,000
2012		1,333,000
Total	$	2,716,000

8. STOCKHOLDERS' EQUITY

Our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, issuing additional equity.

On July 14, 2009, we filed a shelf registration statement on Form S-3, File number 333-160572 ("July 2009 Shelf"), under which we may issue, from time to time, in one or more offerings, shares of our common stock for gross proceeds of up to $50,000,000. As of July 31, 2010, gross proceeds of up to $23,924,000 remained available under the July 2009 Shelf.

Also on July 14, 2009, we entered into a separate At Market Issuance Sales Agreement ("July 2009 AMI Agreement") with Wm Smith & Co., pursuant to which we may sell shares of our common stock through Wm Smith & Co., as agent, in registered transactions from our July 2009 Shelf, for aggregate gross proceeds of up to $25,000,000. Shares of common stock sold under this arrangement were sold at market prices. During the quarter ended July 31, 2010, we had sold 1,925,565 shares of common stock at market prices under the July 2009 AMI Agreement for aggregate gross proceeds of $5,568,000 before deducting commissions and other issuance costs of $133,000. As of July 31, 2010, we had raised the entire $25,000,000 available under the July 2009 AMI Agreement.

On June 22, 2010, we entered into an At Market Issuance Agreement ("June 2010 AMI Agreement") with McNicoll, Lewis & Valk LLC ("MLV"), pursuant to which we may sell shares of our common stock through MLV, as agent, in registered transactions from our July 2009 Shelf, for aggregate gross proceeds of up to $15,000,000. Shares of common stock sold under this arrangement were (or will be) sold at market prices. During the quarter ended July 31, 2010, we had sold 615,442 shares of common stock at market prices under the June 2010 AMI Agreement for aggregate gross proceeds of $1,076,000 before deducting commissions and other issuance costs of $29,000.

Subsequent to July 31, 2010 and through August 31, 2010, we had sold 395,413 shares of common stock at market prices under the June 2010 AMI Agreement for aggregate gross proceeds of $634,000. As of August 31, 2010, gross proceeds of $13,290,000 remained available under the June 2010 AMI Agreement.

As of July 31, 2010, we have reserved 5,803,675 additional shares of our common stock which may be issued under our equity compensation plans and outstanding warrant agreements, excluding shares of common stock that could potentially be issued under the July 2009 Shelf, as further described in the following table:

	Number of Shares Reserved
Common shares reserved for issuance under outstanding option and restricted stock award grants and available for issuance under our equity compensation plans	5,583,708
Common shares issuable upon exercise of outstanding warrants	219,967
Total shares of common stock reserved for issuance	5,803,675

9. STOCK OPTIONS, RESTRICTED STOCK AWARDS, AND WARRANTS

Stock Options

The following summarizes our stock option transaction activity for the three months ended July 31, 2010:

Stock Options	**Shares**	**Weighted Average Exercisable Price**
Outstanding, May 1, 2010	5,013,692	$ 4.49
Granted	76,076	$ 1.96
Exercised	-	$ -
Canceled or expired	(65,204)	$ 5.07
Outstanding, July 31, 2010	5,024,564	$ 4.44

Restricted Stock Awards

The following summarizes our performance-based restricted stock awards transaction activity for the quarter ended July 31, 2010:

Restricted Stock	Shares	Weighted Average Exercisable Price
Unvested, May 1, 2010	371,250	$ 2.97
Granted	-	-
Vested	(74,250)	$ 2.97
Canceled or expired	-	-
Unvested, July 31, 2010	297,000	$ 2.97

Warrants

During the quarter ended July 31, 2010, 118,443 warrants were exercised on a cashless basis in exchange for 74,802 shares of our common stock. As of July 31, 2010, we had warrants outstanding to purchase up to 219,967 shares of our common stock at an exercise price of $1.48 per share with an expiration date of December 19, 2013. The aforementioned warrants were issued during fiscal year 2009 in connection with the loan and security agreement we entered into on December 9, 2008, as further discussed in Note 8. There were no warrants granted during the quarter ended July 31, 2010.

10. SEGMENT REPORTING

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

The accounting policies of the operating segments are the same as those described in Note 3. We evaluate the performance of our contract manufacturing services segment based on gross profit or loss from third-party customers. However, our products in the research and development segment are not evaluated based on gross profit or loss, but rather based on scientific progress of the technologies. As such, gross profit or loss is only provided for our contract manufacturing services segment in the below table. All revenues shown below are derived from transactions with external customers.

Segment information is summarized as follows:

	Three Months Ended July 31,	
	2010	2009
Contract manufacturing services revenue	$ 983,000	$ 2,070,000
Cost of contract manufacturing services	1,156,000	1,073,000
Gross (loss) profit	(173,000)	997,000
Revenue from products in research and development	2,226,000	4,680,000
Research and development expense	(7,067,000)	(6,074,000)
Selling, general and administrative expense	(2,498,000)	(1,793,000)
Other income (expense), net	(183,000)	(238,000)
Net loss	$ (7,695,000)	$ (2,428,000)

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

	Three Months Ended July 31,	
	2010	**2009**
United States (one customer)	98%	34%
Canada (one customer)	0%	50%
Other customers	2%	16%
Total customer revenues as a percentage of revenue	100%	100%

Revenue generated from our products in our research and development segment was from the following sources:

	Three Months Ended July 31,	
	2010	**2009**
Government contract revenue (Note 3)	$ 2,111,000	$ 4,671,000
License revenue	115,000	9,000
	$ 2,226,000	$ 4,680,000

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

	July 31, 2010	**April 30, 2010**
Long-lived Assets, net:		
Contract manufacturing services	$ 1,309,000	$ 1,311,000
Products in research and development	542,000	158,000
Total long-lived assets, net	$ 1,851,000	$ 1,469,000

11. LICENSING AGREEMENTS

During May 2010, we entered into an assignment agreement and a license agreement (collectively, the “Agreements”) with an unrelated entity to develop our Tumor Necrosis Therapy (“TNT”) technologies in certain Asia-Pacific Economic Cooperation (APEC) countries. Under the terms of the Agreements, we have agreed to sub-license certain non-exclusive licenses rights and agreed to assign certain exclusive development and commercialization rights under our TNT program in certain APEC countries. We have retained exclusive rights to our TNT program in the U.S., European Union countries, and other select countries internationally. Under the terms of the Agreements, we will receive aggregate fees in the amount of $500,000 to be paid over a period of two years and annual maintenance fees ranging from $100,000 to $250,000, as defined in the Agreements beginning May 2011 through 15 years following the date of the first commercial sale. In addition, we could also receive low double digit royalties on net sales, as defined in the Agreements. In accordance with the terms of the Agreements, we are obligated to deliver certain purchased patents, know-how and materials (the “Purchased Assets”), and we are obligated to supply certain quantities of research materials as defined in the Agreements. In addition, we have also agreed to provide certain manufacturing services, provided such manufacturing services are requested by the unrelated entity within a certain period of time and for certain agreed upon fees as defined in the Agreements. We have determined that, pursuant to the authoritative guidance for revenue recognition for multiple element arrangements, there was objective and reliab le evidence of fair value of the undelivered elements (manufacturing commitment services) in the arrangement, but no such evidence of fair value for any other element in the arrangement. Therefore, we utilize the residual method to allocate the consideration received under the arrangement. Under the residual method, the amount of consideration allocated to all other elements in the arrangement (delivered and undelivered) equals the total arrangement consideration less the aggregate fair value of the undelivered elements with stand alone fair value (manufacturing commitment services). To date, we have allocated the total arrangement consideration to the undelivered elements with stand alone fair value (manufacturing commitment services) since the fair value of these undelivered elements exceeded the total consideration received to date under the arrangement. As such, we will recognize revenue under the Agreements upon delivery of these manufacturing services based on the relative fair value of the services. To date, we have not recognized any revenue under these Agreements. Amounts received prior to satisfying our revenue recognition criteria are recorded as deferred revenue in the accompanying unaudited condensed consolidated financial statements.

12. COMMITMENTS AND CONTINGENCIES

From time to time, we are involved in legal disputes arising in the normal course of our business. We are not presently subject to any material litigation or other dispute nor, to management's knowledge, is any litigation or other proceeding threatened against us that collectively is expected to have a material adverse effect on our consolidated cash flows, financial condition or results of operations.

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

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

Overview

We are a clinical-stage biopharmaceutical company developing first-in-class monoclonal antibodies for the treatment of cancer and viral infections. We are advancing three independent Phase II oncology programs as well as our Phase I hepatitis C virus ("HCV") program with our first-in-class compounds bavituximab and Cotara.

Bavituximab is a first-in-class phosphatidylserine ("PS")-targeting monoclonal antibody that represents a new approach to treating cancer and has demonstrated broad-spectrum potential in multiple solid tumors. PS is a highly immunosuppressive molecule usually located inside the membrane of healthy cells, but "flips" and becomes exposed on the outside of cells that line tumor blood vessels, creating a specific target for anti-cancer treatments. PS-targeting antibodies target and bind to PS and block this immunosuppressive signal, thereby enabling the immune system to recognize and fight the tumor. Our Phase II single-arm trial in lung cancer demonstrated promising results compared to data from separate historical control trials, leading us to initiate two new r andomized Phase IIb trials in non-small cell lung cancer ("NSCLC").

In June 2010, we announced that we initiated a randomized Phase IIb trial evaluating bavituximab in combination with standard chemotherapy in patients with refractory NSCLC, which represents a significant unmet medical need. In July 2010, we initiated a second randomized Phase IIb trial evaluating bavituximab in combination with chemotherapy in patients with front-line NSCLC. By the end of 2010, we plan to initiate additional company and investigator-sponsored clinical trials. Our investigator-sponsored trials ("IST") program is a cost-effective way to generate insight into bavituximab's mechanism of action, augment our safety database, and evaluate new combination therapy approaches to treating cancer patients.

Our novel brain cancer therapy Cotara is a targeted monoclonal antibody linked to a radioisotope that is administered directly into the tumor, destroying the tumor from the inside out, with minimal exposure to healthy tissue. Cotara is currently in a Phase II safety and efficacy study designed to treat up to 40 patients at first relapse and enrollment is expected to be completed by year-end. Cotara has been granted orphan drug status and fast track designation for the treatment of GBM and anaplastic astrocytoma by the U.S. Food and Drug Administration.

In addition to our clinical programs, on June 30, 2008, we were awarded up to a five-year government contract (the "Government Contract") potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The contract was awarded through the Transformational Medical Technologies ("TMT") of the U.S. Department of Defense's Defense Threat Reduction Agency. This Government Contract was originally expected to provide us with up to $22.3 million in funding over an initial two-year base period ending June 29, 2010. However, the Government Contract was subsequently extended for several weeks for no additional funding to complete ongoing pre-clinical studies and to determine potential next steps under the Government Contract. As of the filing date of this Form 10-Q, we have not received notification from the TMT regarding whether or not the base period has been extended or if we will receive additional funding beyond the base period. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended by the TMT beyond the base period to cover up to $44.4 million in funding through the exercise of one-year option periods not to exceed the government's maximum five-year period for contracts. However, due to the uncertainty regarding the extension of the contract beyond the base period, there is no guarantee we will receive additional fundin g beyond what was allocated to the base period.

In addition to our research and development efforts, we operate a wholly owned cGMP (current Good Manufacturing Practices) contract manufacturing subsidiary, Avid Bioservices ("Avid"). Avid provides integrated manufacturing services for biotechnology and biopharmaceutical companies on a fee-for-service basis, from pre-clinical drug supplies up through commercial-scale drug manufacturing. In addition to generating revenue from providing a broad range of biomanufacturing services to third-party clients, Avid is strategically integrated with Peregrine to manufacture clinical products for our clinical trials.

Going Concern

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

At July 31, 2010, we had $17,983,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect the negative cash flows from operations to continue for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2010, 2009 and 2008 amounted to $14,494,000, $16,524,000, and $23,176,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, issuing additional equity or debt.

With respect to financing our operations through the issuance of equity, during the quarter ended July 31, 2010, we raised $6,644,000 in gross proceeds. As of July 31, 2010, gross proceeds of up to $23,924,000 remained available under an effective shelf registration statement.

In addition, we may also raise additional capital through additional equity offerings, licensing our products in development, procuring additional government contracts and grants, or increasing revenue from our wholly owned subsidiary, Avid. While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that we will be successful in procuring additional government contracts and grants, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed c ontracts with existing customers of Avid, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the third quarter ending January 31, 2011 of our current fiscal year based on current assumptions. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of third party or government contracts, technical challenges, or possible reductions in funding under our government contract, which could reduce or delay our future projected cash-inflows. In addition, under our Loan Agreement (see Note 7), in the event our government contract with the Transformational Medical Technologies is terminated or canceled for any reason, including reasons pertaining to budget cuts by the government or reduction in government funding for the program, we would be required to set aside cash and cash equival ents in an amount equal to 80% of the outstanding loan balance (or $2,173,000 as of July 31, 2010) in a restricted collateral account non-accessible by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the third quarter of our current fiscal year unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Results of Operations

The following table compares the unaudited condensed consolidated statements of operations for the three-month periods ended July 31, 2010 and 2009. This table provides you with an overview of the changes in the condensed consolidated statements of operations for the comparative periods, which are further discussed below.

	Three Months Ended July 31,		
	2010	**2009**	**$ Change**
REVENUES:			
Contract manufacturing revenue	$ 983,000	$ 2,070,000	$ (1,087,000)
Government contract revenue	2,111,000	4,671,000	(2,560,000)
License revenue	115,000	9,000	106,000
Total revenues	3,209,000	6,750,000	(3,541,000)
COSTS AND EXPENSES:			
Cost of contract manufacturing	1,156,000	1,073,000	83,000
Research and development	7,067,000	6,074,000	993,000
Selling, general & administrative	2,498,000	1,793,000	705,000
Total costs and expenses	10,721,000	8,940,000	1,781,000
LOSS FROM OPERATIONS	(7,512,000)	(2,190,000)	(5,322,000)
OTHER INCOME (EXPENSE):			
Interest and other income	18,000	40,000	(22,000)
Interest and other expense	(201,000)	(278,000)	77,000
NET LOSS	$ (7,695,000)	$ (2,428,000)	$ (5,267,000)

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

Contract Manufacturing Revenue.

The decrease in contract manufacturing revenue of $1,087,000 (or 53%) during the three months ended July 31, 2010, compared to the same period in the prior year was primarily due to a decrease in the level of services provided to third-party customers compared to the same period of the prior year.

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

Government Contract Revenue.

Government contract revenue stems from our contract with the TMT of the U.S. Department of Defense's Defense Threat Reduction Agency. The purpose of the contract is to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The decrease in government contract manufacturing revenue of $2,560,000 (or 55%) during the three months ended July 31, 2010 compared to the same period in the prior year was due to a decrease in research and development services performed under the contract as manufacturing activities have decreased compared to the prior year period in accordance with the project plan.

As of July 31, 2010, we have recognized $21,620,000 in total government contract revenue under this contract, of which we recognized $2,111,000 during the three months ended July 31, 2010. The contract was expected to provide us with up to $22.3 million in funding over an initial 24-month base period ending June 29, 2010. However, the Government Contract was subsequently extended for several weeks for no additional funding to complete ongoing pre-clinical studies and to determine potential next steps under the Government Contract. As of the filing date of this Form 10-Q, we have not received any written notification from the TMT regarding any additional funding beyond the base period. Subje ct to the progress of the program and budgetary considerations in future years, the contract can be extended by the TMT beyond the base period to cover up to $44.4 million in funding through the exercise of one-year option periods not to exceed the government's maximum five-year period for contracts. In addition, subject to the progress of the program and budgetary considerations, the contract can be canceled by the TMT at any time. Due to the uncertainty regarding the extension of the contract beyond the base period, it is difficult for us to estimate if we are going to continue to recognize revenue under this contract beyond the extended base period.

In addition to our current government contract with the TMT, we are also actively applying for additional government contracts and grants to support our oncology and anti-viral programs. However, due to the uncertainty of government funding and our ability to successfully secure additional government contracts or grants, we cannot estimate with any certainty future government contract revenue in addition to our current government contract during the remainder of fiscal year 2011.

License Revenue.

The increase in license revenue of $106,000 during the three months ended July 31, 2010 compared to the same period in the prior year was directly related to revenue recognized under a license agreement we entered into with an unrelated entity during July 2009 associated with our anti-VEGF antibody program. In addition, since the license agreement was signed during July 2009, there was no corresponding revenue generated during the first two months of the prior year quarter ended July 31, 2009.

Although we expect to continue to recognize license revenue under our license agreements with unrelated entities during the remainder of the current fiscal year, we do not expect such revenue to be significant.

Cost of Contract Manufacturing.

The increase in cost of contract manufacturing of $83,000 (or 8%) during the three months ended July 31, 2010 compared to the same period in the prior year was primarily due to the write-off of unusable work-in-process inventory. We expect to continue to incur contract manufacturing costs during the remainder of the current fiscal year based on the anticipated completion of customer projects under our current contract manufacturing agreements.

Research and Development Expenses.

The increase in research and development ("R&D") expenses of $993,000 (or 16%) during the three months ended July 31, 2010 compared to the same period in the prior year is due to the following changes associated with each of our following platform technologies under development:

Technology Platform	*R&D Expenses-Quarter Ended July 31, 2010*	*R&D Expenses-Quarter Ended July 31, 2009*	*$ Change*
PS-Targeting (bavituximab)	$ 6,281,000	$ 5,173,000	$ 1,108,000
TNT (Cotara)	746,000	696,000	50,000
Other	40,000	205,000	(165,000)
Total R&D Expenses	$ 7,067,000	$ 6,074,000	$ 993,000

- *PS-Targeting Technology Platform (bavituximab)* – The increase in PS-Targeting program expenses of $1,108,000 during the three months ended July 31, 2010 compared to the same period in the prior year was primarily due to increases in clinical trial and related expenses, payroll and related expenses, and consulting fees to support the advancement of our bavituximab clinical program. During the current quarter, we initiated two separate randomized multi-center Phase IIb clinical trials using bavituximab in combination with chemotherapy for the treatment of patients with refractory and front-line non-small cell lung cancer (NSCLC). The increase in PS-targeting program expenses associated with the advancement of our bavituximab clinical program was offset with a decrease i n R&D expenses directly associated with our fully funded contract with TMT to develop bavituximab and a fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections as manufacturing related activities performed under the contract have decreased compared to the same prior year period in accordance with the project plan.

- *Tumor Necrosis Therapy ("TNT")Technology Platform(Cotara)* – TNT program expenses for the three months ended July 31, 2010 remained in line with the same period in the prior year and increased slightly by $50,000 as we continued our efforts to support the advancement of our Cotara clinical program, including continued efforts to complete patient enrollment of our Phase II safety and efficacy trial using Cotara for the treatment of brain cancer by the end of calendar year 2010.

- *Other R&D programs* – The decrease in our other R&D program expenses of $165,000 during the three months ended July 31, 2010 compared to the same period in the prior year was primarily due to curtailing our efforts in developing earlier-stage technologies associated with our anti-angiogenesis agents and vascular targeting agents in order to focus our efforts and resources on our current clinical programs. However, we are actively seeking partners to further develop these technologies. This decrease in other R&D programs expenses was further supplemented by a decrease in R&D expenses associated with development efforts incurred in the prior year associated with our R84 antibody that was licensed to an unaffiliated entity in July 2009.

During the remainder of the current fiscal year, we expect to continue to direct the majority of our research and development expenses towards our PS-targeting technology platform although it is extremely difficult for us to reasonably estimate all future research and development costs associated with each of our technologies due to the number of unknowns and uncertainties associated with pre-clinical and clinical trial development. These unknown variables and uncertainties include, but are not limited to:

- the uncertainty of the extension of the government contract with the TMT;
- the uncertainty of future clinical trial results;
- the uncertainty of the ultimate number of patients to be treated in any current or future clinical trial;
- the uncertainty of the U.S. Food and Drug Administration allowing our studies to move forward from Phase I clinical studies to Phase II and Phase III clinical studies;
- the uncertainty of the rate at which patients are enrolled into any current or future study. Any delays in clinical trials could significantly increase the cost of the study and would extend the estimated completion dates;
- the uncertainty of terms related to potential future partnering or licensing arrangements;
- the uncertainty of protocol changes and modifications in the design of our clinical trial studies, which may increase or decrease our future costs; and
- The uncertainty of our ability to raise additional capital to support our future research and development efforts beyond the third quarter ending January 31, 2011 of our current fiscal year.

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

Selling, General and Administrative Expenses.

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

The increase in selling, general and administrative ("SG&A") expenses of $705,000 (or 39%) during the three months ended July 31, 2010 compared to the same period in the prior year was primarily due to increases in share-based compensation expense (non-cash) and payroll and related expenses of $311,000 and $210,000, respectively. The increase in share-based compensation expense was primarily associated with the amortization of the fair value of options granted to employees and directors during the fourth quarter of fiscal year 2010. The increase in payroll and related expenses was primarily the result of increased headcount and related compensation combined with an increase in consulting fees associated with the increase in SG&A activities. These increases i n SG&A expenses were further supplemented with current quarter increases in other general corporate related expenses.

Interest and Other Income.

The decrease in interest and other income of $22,000 during the three months ended July 31, 2010 compared to the same period in the prior year is primarily due to a decrease in interest income as a result of lower prevailing interest rates during the current year compared to the prior year.

Interest and Other Expense.

The decrease in interest and other expense of $77,000 during the three months ended July 31, 2010 compared to the same period in the prior year was due to a $59,000 decrease in interest expense associated with the $5,000,000 term loan we entered into in December 2008 due to lower outstanding principal balance during the current period.

Critical Accounting Policies

The preparation and presentation of financial statements in conformity with accounting principles generally accepted in the United States, or GAAP, requires us to establish policies and to make estimates and assumptions that affect the amounts reported in our interim unaudited condensed consolidated financial statements. In our judgment, our critical accounting policies, estimates and assumptions have the greatest potential impact on our consolidated financial statements. We evaluate our estimates and judgments on an ongoing basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances. Our experience and assumptions form the basis for our judgments about the carrying v alue of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what we anticipate and different assumptions or estimates about the future could change our reported results. We believe the following critical accounting policy below updates, and should be considered in addition to, the critical accounting policies previously disclosed by us in Part II, Item 7 of our Annual Report for the fiscal year ended April 30, 2010.

Revenue Recognition.

We currently derive revenue from the following three sources: (i) contract manufacturing services provided by Avid, (ii) licensing revenues related to agreements associated with Peregrine's technologies under development, and (iii) government contract revenues for services provided under a government contract awarded to Peregrine through the Transformational Medical Technologies ("TMT") of the U.S. Department of Defense's Defense Threat Reduction Agency.

We recognize revenue in accordance with the authoritative guidance for revenue recognition. We recognize revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery (or passage of title) has occurred or services have been rendered, (iii) the seller's price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. We also comply with the authoritative guidance for revenue recognition regarding arrangements with multiple deliverables.

In addition, we also follow the authoritative guidance when reporting revenue as gross when we act as a principal versus reporting revenue as net when we act as an agent. For transactions in which we act as a principal, have discretion to choose suppliers, bear credit risk and perform a substantive part of the services, revenue is recorded at the gross amount billed to a customer and costs associated with these reimbursements are reflected as a component of cost of sales for contract manufacturing services and research and development expense for services provided under our contract with the TMT.

Contract Manufacturing Revenue - Revenue associated with contract manufacturing services provided by Avid are recognized once the service has been rendered and/or upon shipment (or passage of title) of the product to the customer. On occasion, we recognize revenue on a "bill-and-hold" basis in accordance with the authoritative guidance. Under "bill-and-hold" arrangements, revenue is recognized once the product is complete and ready for shipment, title and risk of loss has passed to the customer, management receives a written request from the customer for "bill-and-hold" treatment, the product is segregated from other inventory, and no further performance obligations exist. There was 0;no revenue recognized under a "bill-and-hold" during the quarter ended July 31, 2010.

Any amounts received prior to satisfying our revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated financial statements. We also record a provision for estimated contract losses, if any, in the period in which they are determined.

License Revenue - Revenue associated with licensing agreements primarily consist of non-refundable upfront license fees, non-refundable annual license fees and milestone payments. Non-refundable upfront license fees received under license agreements, whereby continued performance or future obligations are considered inconsequential to the relevant license technology, are recognized as revenue upon delivery of the technology.

If a license agreement has multiple element arrangements, we analyze and determine whether the deliverables, which often include performance obligations, can be separated or whether they must be accounted for as a single unit of accounting in accordance with the authoritative guidance. Under multiple element arrangements, we recognize revenue for delivered elements only when the delivered element has stand-alone value and we have objective and reliable evidence of fair value for each undelivered element. If the fair value of any undelivered element included in a multiple element arrangement cannot be objectively determined, the arrangement would then be accounted for as a single unit of accounting, and revenue is recognized over the estimated period of when the performance obligation(s) are per formed.

In addition, under certain circumstances, when there is objective and reliable evidence of the fair value of the undelivered items in an arrangement, but no such evidence for the delivered items, we utilize the residual method to allocate the consideration received under the arrangement. Under the residual method, the amount of consideration allocated to delivered items equals the total arrangement consideration less the aggregate fair value of the undelivered items, and revenue is recognized upon delivery of the undelivered items based on the relative fair value of the undelivered items.

Revenue recognized under licensing agreements is limited to the lesser of the cumulative amount of payments received or the cumulative amount of revenue earned as of the period ending date. Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying unaudited condensed consolidated financial statements.

Non-refundable annual license fees are recognized as revenue on the anniversary date of the agreement in accordance with the authoritative guidance for revenue recognition. Milestone payments are recognized as revenue upon the achievement of the specified milestone, provided that (i) the milestone event is substantive in nature and the achievement of the milestone is not reasonably assured at the inception of the agreement, (ii) the fees are non-refundable, and (iii) there is no continuing performance obligations associated with the milestone payment. Any milestone payments received prior to satisfying these revenue recognition criteria are recorded as deferred revenue in the accompanying unaudited condensed consolidated financial statements.

Government Contract Revenue - On June 30, 2008, we were awarded up to a five-year government contract (the "Government Contract") potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The contract was awarded through the Transformational Medical Technologies ("TMT") of the U.S. Department of Defense's Defense Threat Reduction Agency. This Government Contract was originally expected to provide us with up to $22.3 million in funding over an initial two-year base period ending June 29, 2010. However, the Government Contract was subsequently extended for several wee ks for no additional funding to complete ongoing pre-clinical studies and to determine potential next steps under the Government Contract. As of the filing date of this Form 10-Q, we have not received notification from the TMT regarding whether or not the base period has been extended or if we will receive additional funding beyond the base period. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended by the TMT beyond the base period to cover up to $44.4 million in funding through the exercise of one-year option periods not to exceed the government's maximum five-year period for contracts. However, due to the uncertainty regarding the extension of the contract beyond the base period, there is no guaran tee we will receive additional funding beyond what was allocated to the base period.

The Government Contract is classified as a “cost-plus-fixed-fee” contract. We recognize government contract revenue in accordance with the authoritative guidance for revenue recognition including the authoritative guidance specific to federal government contracts. Reimbursable costs under the contract primarily include direct labor, subcontract costs, materials, equipment, travel, and indirect costs. In addition, we receive a fixed fee for our efforts equal to 9.9% of the reimbursable costs incurred under the Government Contract, which is unconditionally earned as allowable costs are billed and is not contingent on success factors. Reimbursable costs under this Government Contract, including the fixed fee, are generally recognized as revenue in the period the r eimbursable costs are incurred and become billable. However, when amounts billable, including the fixed fee, are not reasonably related to the proportionate performance of the total work or services to be performed, we recognize revenue on a proportional performance basis. In addition, reimbursable costs, including the fixed fee, associated with manufacturing services are recognized as revenue once delivery (or passage of title) has occurred. Amounts billable (including the fixed fee) prior to satisfying revenue recognition criteria are classified as deferred government contract revenue in the accompanying unaudited condensed consolidated financial statements.

Liquidity and Capital Resources

At July 31, 2010, we had $17,983,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect the negative cash flows from operations to continue for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2010, 2009 and 2008 amounted to $14,494,000, $16,524,000, and $23,176,000, respectively. Unless and until we are able to generate sufficient revenues from Avid’s contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, issuing additional equity or debt.

With respect to financing our operations through the issuance of equity, during the quarter ended July 31, 2010, we raised $6,644,000 in gross proceeds. As of July 31, 2010, gross proceeds of up to $23,924,000 remained available under an effective shelf registration statement.

In addition, we may also raise additional capital through additional equity offerings, licensing our products in development, procuring additional government contracts and grants, or increasing revenue from our wholly owned subsidiary, Avid. While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that we will be successful in procuring additional government contracts and grants, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed c ontracts with existing customers of Avid, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the third quarter ending January 31, 2011 of our current fiscal year based on current assumptions. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of third party or government contracts, technical challenges, or possible reductions in funding under our government contract, which could reduce or delay our future projected cash-inflows. In addition, under our Loan Agreement (see Note 7), in the event our government contract with the Transformational Medical Technologies (“TMT”) is terminated or canceled for any reason, including reasons pertaining to budget cuts by the government or reduction in government funding for the program, we would be required to set aside c ash and cash equivalents in an amount equal to 80% of the outstanding loan balance (or $2,173,000 as of July 31, 2010) in a restricted collateral account non-accessible by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the third quarter of our current fiscal year unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Significant components of the changes in cash flows from operating, investing, and financing activities for the three months ended July 31, 2010 compared to the same prior year period are as follows:

Cash Used In Operating Activities. Cash used in operating activities is primarily driven by changes in our net loss. However, cash used in operating activities generally differs from our reported net loss as a result of non-cash operating expenses or differences in the timing of cash flows as reflected in the changes in operating assets and liabilities. During the three months ended July 31, 2010, cash used in operating activities increased $3,457,000 to $7,071,000 compared to $3,614,000 for the three months ended July 31, 2009. This increase in net cash used in operating activities was primarily due to an increase of $4,543,000 in net loss reported during the current three-month period after taking into consideratio n non-cash operating expenses offset by a net change in operating assets and payment or reduction of liabilities in the aggregate amount of $1,086,000 . The decrease in the net change in operating assets and payment or reduction of liabilities was primarily due to net changes associated with receivables, prepaid expenses and other current assets, customer deposits, accrued liabilities, deferred revenue and deferred government contract revenue. The increase in our current three-month period net loss was primarily due to current period decreases in contract manufacturing revenue and government contract revenue combined with increases in research and development expenses and selling, general and administrative expenses.

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

	THREE MONTHS ENDED	
	July 31, 2010	**July 31, 2009**
Net loss, as reported	$ (7,695,000)	$ (2,428,000)
Less non-cash expenses and adjustments to net loss:		
Depreciation and amortization	138,000	116,000
Share-based compensation	643,000	162,000
Amortization of discount on notes payable and debt issuance costs	108,000	126,000
Amortization of expenses paid in shares of common stock	239,000	-
Net cash used in operating activities before changes in operating assets and liabilities	$ (6,567,000)	$ (2,024,000)
Net change in operating assets and liabilities	$ (504,000)	$ (1,590,000)
Net cash used in operating activities	$ (7,071,000)	$ (3,614,000)

Cash Used In Investing Activities. Net cash used in investing activities increased $441,000 to $484,000 for the three months ended July 31, 2010 compared to net cash used of $43,000 for the three months ended July 31, 2009. This increase was due to an increase in cash outflows associated with property acquisitions of $514,000 primarily related to the current quarter purchases of certain computer software and laboratory equipment combined with a $73,000 decrease in other assets.

Cash Provided By Financing Activities. Net cash provided by financing activities decreased $560,000 to $5,857,000 for the quarter ended July 31, 2010 compared to net cash provided of $6,417,000 for the quarter ended July 31, 2009. During the quarter ended July 31, 2010, we received net proceeds under two separate At Market Issuance Sales Agreements, whereby we sold 2,541,007 shares of our common stock for net proceeds of $6,482,000. These current year net proceeds were offset with aggregate principal payments on notes payable and capital leases of $625,000.

During the quarter ended July 31, 2009, we received net proceeds under an At Market Issuance Sales Agreement, whereby we sold 1,855,172 shares of our common stock for net proceeds of $6,588,000. In addition, we received net proceeds of $2,000 from the exercise of stock options. These prior year proceeds were offset with aggregate principal payments on notes payable and capital leases of $173,000.

Commitments

At July 31, 2010, we had no material capital commitments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

Based on our overall cash and cash equivalents interest rate exposure at July 31, 2010, a near-term change in interest rates, based on historical movements, would not have a material adverse effect on our financial position or results of operations.

At July 31, 2010, we had an outstanding notes payable balance of $2,716,000 under a loan and security agreement, which bear interest at a monthly variable rate equal to the then current thirty (30) day LIBOR rate (set at a floor of 3%) plus 9%, which may expose us to market risk due to changes in interest rates. However, based on current LIBOR interest rates, which are currently under the minimum floor set at 3% under our loan and security agreement and based on historical movements in LIBOR rates, we believe a near-term change in interest rates would not have a material adverse effect on our financial position or results of operations.

ITEM 4. CONTROLS AND PROCEDURES.

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

The Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of July 31, 2010, the end of the period covered by this Quarterly Report. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective at the reasonable assurance level as of July 31, 2010.

There were no significant changes in the Company’s internal controls over financial reporting, during the quarter ended July 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

The following risk factors below update, and should be considered in addition to, the risk factors previously disclosed by us in Part 1, Item 1A of our Annual Report for the fiscal year ended April 30, 2010.

IF WE CANNOT OBTAIN ADDITIONAL FUNDING, OUR PRODUCT DEVELOPMENT AND COMMERCIALIZATION EFFORTS MAY BE REDUCED OR DISCONTINUED AND WE MAY NOT BE ABLE TO CONTINUE OPERATIONS.

At July 31, 2010, we had $17,983,000 in cash and cash equivalents. We have expended substantial funds on the research, development and clinical trials of our product candidates, and funding the operations of Avid. As a result, we have historically experienced negative cash flows from operations since our inception and we expect the negative cash flows from operations to continue for the foreseeable future. Our net losses incurred during the past three fiscal years ended April 30, 2010, 2009 and 2008 amounted to $14,494,000, $16,524,000, and $23,176,000, respectively. Unless and until we are able to generate sufficient revenues from Avid's contract manufacturing services and/or from the sale and/or licensing of our products under development, we expect such losses to continue for the foreseeable future.

Therefore, our ability to continue our clinical trials and development efforts is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, issuing additional equity or debt.

With respect to financing our operations through the issuance of equity, during the quarter ended July 31, 2010, we raised $6,644,000 in gross proceeds. As of July 31, 2010, gross proceeds of up to $23,924,000 remained available under an effective shelf registration statement.

In addition, we may also raise additional capital through additional equity offerings, licensing our products in development, procuring additional government contracts and grants, or increasing revenue from our wholly owned subsidiary, Avid. While we will continue to explore these potential opportunities, there can be no assurances that we will be successful in raising sufficient capital on terms acceptable to us, or at all, or that we will be successful in procuring additional government contracts and grants, or that sufficient additional revenues will be generated from Avid or under potential licensing or partnering agreements to complete the research, development, and clinical testing of our product candidates. Based on our current projections, which include projected revenues under signed c ontracts with existing customers of Avid, we believe we have sufficient cash on hand combined with amounts expected to be received from Avid customers and from our government contract to meet our obligations as they become due through at least the third quarter ending January 31, 2011 of our current fiscal year based on current assumptions. There are a number of uncertainties associated with our financial projections, including but not limited to, termination of third party or government contracts, technical challenges, or possible reductions in funding under our government contract, which could reduce or delay our future projected cash-inflows. In addition, under our Loan Agreement (see Note 7), in the event our government contract with the Transformational Medical Technologies is terminated or canceled for any reason, including reasons pertaining to budget cuts by the government or reduction in government funding for the program, we would be required to set aside cash and cash equival ents in an amount equal to 80% of the outstanding loan balance (or $2,173,000 as of July 31, 2010) in a restricted collateral account non-accessible by us. In the event our projected cash-inflows are reduced or delayed or if we default on a loan covenant that limits our access to our available cash on hand, we might not have sufficient capital to operate our business through the third quarter of our current fiscal year unless we raise additional capital. The uncertainties surrounding our future cash inflows have raised substantial doubt regarding our ability to continue as a going concern.

Our outstanding indebtedness to MidCap Financial LLC and BlueCrest Capital Finance, L.P. imposes certain restrictions on how we conduct our business. In addition, all of our assets, including our intellectual property, are pledged to secure this indebtedness. If we fail to meet our obligations to the lenders, our payment obligations may be accelerated and the collateral securing the debt may be sold to satisfy these obligations.

Pursuant to a Loan and Security Agreement dated December 9, 2008 (the "Loan Agreement"), MidCap Financial LLC and BlueCrest Capital Finance, L.P. (the "Lenders") have provided us a three-year, $5,000,000 working capital loan, which funded on December 19, 2008. At July 31, 2010, we had an outstanding principal balance of $2,716,000 under the Loan Agreement. As collateral to secure our repayment obligations to the Lenders, we and our wholly-owned subsidiary, Avid Bioservices, Inc., have granted the Lenders a first priority security interest in generally all of our respective assets, including our intellectual property.

The Loan Agreement also contains various covenants that restrict our operating flexibility. Pursuant to the Loan Agreement, without the prior written consent of the Lenders we may not, among other things:

- incur additional indebtedness, except for certain permitted indebtedness. Permitted indebtedness is defined to include accounts payable incurred in the ordinary course of business and leases of equipment or property incurred in the ordinary course of business not to exceed in the aggregate $500,000 outstanding at any one time;
- incur additional liens on any of our assets except for certain permitted liens including but not limited to non-exclusive licenses of our intellectual property in the ordinary course of business and exclusive licenses of intellectual property provided they are approved by our board of directors and do not involve bavituximab or Cotara;
- make any payment of subordinated debt, except as permitted under the applicable subordination or intercreditor agreement;
- merge with or acquire any other entity, or sell all or substantially all of our assets, except as permitted under the Loan Agreement;
- pay dividends (other than stock dividends) to our shareholders;
- redeem any outstanding shares of our common stock or any outstanding options or warrants to purchase shares of our common stock except in connection with the repurchase of stock from former employees and consultants pursuant to share repurchase agreements provided such repurchases do not exceed $50,000 in the aggregate during any twelve-month period;
- enter into transactions with affiliates other than on arms-length terms; and
- make any change in any of our business objectives, purposes and operations which has or could be reasonably expected to have a material adverse effect on our business.

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

In the event our contract with the TMT is terminated, our loan requires us to place a significant amount of our cash in a restricted bank account.

Under the terms of the Loan Agreement, if our contract with the TMT of the U.S. Department of Defense's Defense Threat Reduction Agency is terminated while any principal balance of the loan is outstanding, we will be required to at all times thereafter maintain cash and cash equivalents in an amount of at least eighty percent (80%) of the then outstanding principal balance of the loan (or $2,173,000 as of July 31, 2010) in a restricted account over which we will not be permitted to make withdrawals or otherwise exercise control.

We have had significant losses and we anticipate future losses.

We have incurred net losses in most fiscal years since we began operations in 1981. The following table represents net losses incurred for the three months ended July 31, 2010 and for each of the past three fiscal years:

	Net Loss
Three months ended July 31, 2010 (unaudited)	$ 7,695,000
Fiscal Year 2010	$ 14,494,000
Fiscal Year 2009	$ 16,524,000
Fiscal Year 2008	$ 23,176,000

As of July 31, 2010, we had an accumulated deficit of $269,549,000. While we expect to continue to generate revenues from Avid's contract manufacturing services, in order to achieve and sustain profitable operations, we must successfully develop and obtain regulatory approval for our products, either alone or with others, and must also manufacture, introduce, market and sell our products. The costs associated with clinical trials and product manufacturing is very expensive and the time frame necessary to achieve market success for our products is long and uncertain. We do not expect to generate product or royalty revenues for at least the next two years, and we may never generate product and/or royalty revenues sufficient to become profitable or to sustain profitability.

The sale of substantial shares of our common stock may depress our stock price.

As of July 31, 2010, there were 55,784,955 shares of our common stock outstanding. Substantially all of these shares are eligible for trading in the public market, subject in some cases to volume and other limitations. The market price of our common stock may decline if our common stockholders sell a large number of shares of our common stock in the public market, or the market perceives that such sales may occur.

We could also issue up to 5,803,675 additional shares of our common stock that are reserved for future issuance under our stock option plans and for outstanding warrants, as further described in the following table:

	Number of Shares of Common Stock Reserved For Issuance
Common shares reserved for issuance under outstanding option and restricted stock award grants and available for issuance under our equity compensation plans	5,583,708
Common shares issuable upon exercise of outstanding warrants	219,967
Total shares reserved for issuance	5,803,675

In addition, the above table does not include shares of common stock that we have available to issue under an effective shelf registration statement, under which we may issue, from time to time, in one or more offerings, shares of our common stock for remaining gross proceeds of up to $23,924,000 as of July 31, 2010.

Of the total options, restricted stock awards and warrants outstanding as of July 31, 2010, 233,039 would be considered dilutive to stockholders because we would receive an amount per share which is less than the market price of our common stock at July 31, 2010.

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

Current economic conditions and capital markets are in a period of disruption and instability which could adversely affect our ability to access the capital markets, and thus adversely affect our business and liquidity.

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

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

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

The following table shows the high and low sales price and trading volume of our common stock for each quarter in the last twelve (12) fiscal quarters ended July 31, 2010:

	Common Stock Sales Price		Common Stock Daily Trading Volume (000's omitted)	
	High	**Low**	**High**	**Low**
Quarter Ended July 31, 2010	$4.14	$1.51	9,520	140
Quarter Ended April 30, 2010	$4.30	$2.86	1,278	66
Quarter Ended January 31, 2010	$3.46	$2.51	1,384	49
Quarter Ended October 31, 2009	$4.74	$2.74	2,243	64
Quarter Ended July 31, 2009	$5.65	$1.85	7,345	39
Quarter Ended April 30, 2009	$2.60	$1.52	702	14
Quarter Ended January 31, 2009	$2.35	$1.10	260	19
Quarter Ended October 31, 2008	$2.00	$1.15	263	15
Quarter Ended July 31, 2008	$2.65	$1.54	599	21
Quarter Ended April 30, 2008	$3.63	$1.75	769	26
Quarter Ended January 31, 2008	$3.25	$1.75	622	28
Quarter Ended October 31, 2007	$3.95	$2.70	526	34
Quarter Ended July 31, 2007	$7.00	$3.60	4,331	47

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

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

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

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

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

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

Although we currently meet all NASDAQ listing requirements, the market price of our common stock has generally been highly volatile and we cannot guarantee that we will continue to maintain compliance with The NASDAQ Capital Market listing requirements.

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

SUCCESSFUL DEVELOPMENT OF OUR PRODUCTS IS UNCERTAIN. TO DATE, NO REVENUES HAVE BEEN GENERATED FROM THE COMMERCIAL SALE OF OUR PRODUCTS AND OUR PRODUCTS MAY NOT GENERATE REVENUES IN THE FUTURE.

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

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

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

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

We are primarily focusing our activities and resources on the development of Bavituximab and depend on its success.

We are focusing most of our near-term research and development activities and resources on bavituximab, and we believe a significant portion of the value of our Company relates to our ability to develop this drug candidate. The development of bavituximab is subject to many risks, including the risks discussed in other risk factors. If the results of clinical trials of bavituximab, the regulatory decisions affecting bavituximab, the anticipated or actual timing and plan for commercializing bavituximab, or, ultimately, the market acceptance of bavituximab do not meet our, your, analysts' or others' expectations, the market price of our common stock could be adversely affected.

Our product development efforts may not be successful.

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

Clinical Trials required for our product candidates are expensive and time consuming, and their outcome is uncertain.

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

- obtaining regulatory approval to commence a clinical trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- slower than expected rates of patient recruitment due to narrow screening requirements;
- the inability of patients to meet FDA or other regulatory authorities imposed protocol requirements;
- the inability to retain patients who have initiated a clinical trial but may be prone to withdraw due to various clinical or personal reasons, or who are lost to further follow-up;
- the inability to manufacture sufficient quantities of qualified materials under current good manufacturing practices, or cGMPs, for use in clinical trials;
- the need or desire to modify our manufacturing processes;
- the inability to adequately observe patients after treatment;
- changes in regulatory requirements for clinical trials;
- the lack of effectiveness during the clinical trials;
- unforeseen safety issues;
- delays, suspension, or termination of the clinical trials due to the institutional review board responsible for overseeing the study at a particular study site; and
- government or regulatory delays or "clinical holds" requiring suspension or termination of the trials.

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

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

WE RELY ON THIRD PARTIES TO CONDUCT OUR CLINICAL TRIALS AND MANY OF OUR PRECLINICAL STUDIES. IF THOSE PARTIES DO NOT SUCCESSFULLY CARRY OUT THEIR CONTRACTUAL DUTIES OR MEET EXPECTED DEADLINES, OUR DRUG CANDIDATES MAY NOT ADVANCE IN A TIMELY MANNER OR AT ALL.

In the course of our discovery, preclinical testing and clinical trials, we rely on third parties, including universities, investigators and clinical research organizations, to perform critical services for us. For example, we rely on third parties to conduct our clinical trials and many of our preclinical studies. Clinical research organizations and investigators are responsible for many aspects of the trials, including finding and enrolling patients for testing and administering the trials. Although we rely on these third parties to conduct our clinical trials, we are responsible for ensuring that each of our clinical trials is conducted in accordance with its investigational plan and protocol. Moreover, the FDA and foreign regulatory authorities require us to comply with regulations and stan dards, commonly referred to as good clinical practices, or GCPs, for conducting, monitoring, recording and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate and that the trial subjects are adequately informed of the potential risks of participating in clinical trials. Our reliance on third parties does not relieve us of these responsibilities and requirements. These third parties may not be available when we need them or, if they are available, may not comply with all regulatory and contractual requirements or may not otherwise perform their services in a timely or acceptable manner, and we may need to enter into new arrangements with alternative third parties and our clinical trials may be extended, delayed or terminated. These independent third parties may also have relationships with other commercial entities, some of which may compete with us. In addition, if such third parties fail to perform their obligations in compliance with our clinical trial protocols, our clinical trials may not meet regulatory requirements or may need to be repeated. As a result of our dependence on third parties, we may face delays or failures outside of our direct control. These risks also apply to the development activities of our collaborators, and we do not control our collaborators' research and development, clinical trials or regulatory activities. We do not expect any drugs resulting from our collaborators' research and development efforts to be commercially available for many years, if ever.

In addition, we have prepaid research and development expenses to third parties that have been deferred and capitalized as pre-payments to secure the receipt of future preclinical and clinical research and development services. These pre-payments are recognized as an expense in the period that the services are performed. We assess our prepaid research and development expenses for impairment when events or changes in circumstances indicate that the carrying amount of the prepaid expense may not be recoverable or provide a future economic benefit, including the risk of third party nonperformance. If there are indicators that the third parties are unable to perform the research and development services, we may be required to take an impairment charge.

WE DO NOT HAVE EXPERIENCE AS A COMPANY CONDUCTING LARGE-SCALE CLINICAL TRIALS, OR IN OTHER AREAS REQUIRED FOR THE SUCCESSFUL COMMERCIALIZATION AND MARKETING OF OUR PRODUCT CANDIDATES.

Preliminary results from clinical trials of bavituximab may not be indicative of successful outcomes in later stage trials. Negative or limited results from any current or future clinical trial could delay or prevent further development of our product candidates which would adversely affect our business.

We have no experience as a Company in conducting large-scale, late-stage clinical trials, and our experience with early-stage clinical trials with small numbers of patients is limited. In part because of this limited experience, we cannot be certain that planned clinical trials will begin or be completed on time, if at all. Large-scale trials would require either additional financial and management resources, or reliance on third-party clinical investigators, clinical research organizations ("CROs") or consultants. Relying on third-party clinical investigators or CROs may force us to encounter delays that are outside of our control. Any such delays could have a material adverse effect on our business.

We also do not currently have marketing and distribution capabilities for our product candidates. Developing an internal sales and distribution capability would be an expensive and time-consuming process. We may enter into agreements with third parties that would be responsible for marketing and distribution. However, these third parties may not be capable of successfully selling any of our product candidates. The inability to commercialize and market our product candidates could materially affect our business.

Failure to recruit, enroll, and retain patients for clinical trials may cause the development of our product candidates to be delayed or development costs to increase substantially.

We have experienced, and expect to experience in the future, delays in patient enrollment in our clinical trials for a variety of reasons. The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the study until its conclusion. The enrollment of subjects depends on many factors, including:

- the patient eligibility criteria defined in the protocol;
- the size of the patient population required for analysis of the trial's primary endpoints;
- the proximity of patients to study sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- our ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will drop out of the trials before completion; and
- competition for patients by clinical trial programs for other treatments.

Our clinical trials compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition reduces the number and types of subjects available to us, because some patients who might have opted to enroll in our trials opt to enroll in a trial being conducted by one of our competitors. Since the number of qualified clinical investigators is limited, we conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which reduces the number of subjects who are available for our clinical trials in such clinical trial site. Delays in patient enrollment in the future as a result of these and other factors may result in increased costs or may affect the timing or outcome of our clinical trials, which could preven t us from completing these trials and adversely affect our ability to advance the development of our product candidates.

Our International Clinical Trials may be delayed or otherwise adversely impacted by social, political and economic factors affecting the particular foreign country.

We have in the past conducted, and intend in the future to conduct, clinical trials in India and other countries. Our ability to successfully initiate, enroll and complete a clinical trial in either country, or in any future foreign country in which we may initiate a clinical trial, are subject to numerous risks unique to conducting business in foreign countries, including:

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

Because some of the trial sites for our recently announced Phase IIb clinical trials will be in India and potentially other foreign countries, any disruption to our international clinical trial sites could significantly delay our product development efforts.

Success in early Clinical Trials may not be indicative of results obtained in later trials.

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

Data from our pre-clinical studies and Phase I and initial Phase II clinical trials should not be relied upon as evidence that later or larger-scale clinical trials will succeed. The Phase I studies we have completed to date have been designed to primarily assess safety in a small number of patients. In addition, the limited results we have obtained in the Phase II trials may not predict results for any future studies and also may not predict future therapeutic benefit of our drug candidates. We will be required to demonstrate through larger-scale clinical trials that bavituximab and Cotara are safe and effective for use in a diverse population before we can seek regulatory approval for their commercial sale. There is typically an extremely high rate of attrition from the failure of drug candidates proceeding through clinical trials.

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

If we successfully develop products but those products do not achieve and maintain market acceptance, our business will not be profitable.

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

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

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

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

If we cannot license or sell Cotara, it may be delayed or never be further developed in the U.S.

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

Our dependency on our radiolabeling suppliers may negatively impact our ability to complete clinical trials and market our products.

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

Our manufacturing facilities may not continue to meet regulatory requirements and have limited capacity.

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

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

We may also encounter problems with the following:

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

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

WE CURRENTLY DEPEND ON A GOVERNMENT CONTRACT TO PARTIALLY FUND OUR RESEARCH AND DEVELOPMENT EFFORTS. IF OUR CURRENT GOVERNMENT FUNDING IS REDUCED OR DELAYED, OUR DRUG DEVELOPMENT EFFORTS MAY BE NEGATIVELY AFFECTED.

On June 30, 2008, we were awarded up to a five-year contract potentially worth up to $44.4 million to test and develop bavituximab and an equivalent fully human antibody as potential broad-spectrum treatments for viral hemorrhagic fever infections. The initial contract was awarded through the TMT of the U.S. Department of Defense's Defense Threat Reduction Agency. This government contract was expected to provide us with up to $22.3 million in funding over an initial two-year base period ending June 29, 2010. However, the Government Contract was subsequently extended for several weeks for no additional funding to complete ongoing pre-clinical studies and to determine potential next steps under the Government Contract. As of the filing date of this Form 10-Q, we have not received notification from the TMT regarding whether or not the base period has been extended or if we will receive additional funding beyond the base period. Subject to the progress of the program and budgetary considerations in future years, the contract can be extended by the TMT beyond the base period to cover up to $44.4 million in funding through the exercise of one-year option periods not to exceed the government's maximum five-year period for contracts. However, due to the uncertainty regarding the extension of the contract beyond the base period, there is no guarantee we will receive additional funding beyond what was allocated to the base period. If we do not receive the expected funding under this contract, we may not be able to develop therapeutics to treat hemorrhagic fever virus infe ction nor otherwise receive the other indirect benefits that may be derived from receipt of the full funding under this contract.

FEDERAL GOVERNMENT CONTRACTS CONTAIN PROVISIONS GIVING GOVERNMENT CUSTOMERS A VARIETY OF RIGHTS THAT ARE UNFAVORABLE TO US, INCLUDING THE ABILITY TO TERMINATE A CONTRACT AT ANY TIME FOR CONVENIENCE.

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

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

If the government terminates our contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates our contract for default, we may not recover even those amounts, and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. If the TMT were to unexpectedly terminate or cancel, or decline to exercise the option to extend our contract beyond the base period, our revenues, product development efforts and operating results would be materially harmed. As of the filing date of this Form 10-Q, we have not received notification from the TMT regarding whether or not the base period under our government contract with the TMT has been extended or if we will receive additional funding beyond the base period.

We may have significant product liability exposure because we maintain only limited product liability insurance.

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

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

If we are unable to obtain, protect and enforce our patent rights, we may be unable to effectively protect or exploit our proprietary technology, inventions and improvements.

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

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

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

We may become involved in lawsuits to protect or enforce our patents that would be expensive and time consuming.

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

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

We may not be able to compete with our competitors in the Biotechnology Industry because many of them have greater resources than we do and they are further along in their development efforts.

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

Bavituximab is currently in clinical trials for the treatment of advanced solid tumors. Although we are not aware of any other products in development targeting PS as a potential therapy for advanced solid tumors, there are a number of possible competitors with approved or developmental targeted agents used in combination with standard chemotherapy for the treatment of cancer, including but not limited to, Avastin by Roche/Genentech, Inc., Gleevec by Novartis, Tarceva by OSI Pharmaceuticals, Inc. and Roche/Genentech, Inc., Erbitux by ImClone Systems Incorporated and Bristol-Myers Squibb Company, Rituxan and Herceptin by Roche/Genentech, Inc., and Vectibix by Amgen. There are a significant number of companies developing cancer therapeutics using a variety of targeted and non-targeted approa ches. A direct comparison of these potential competitors will not be possible until bavituximab advances to later-stage clinical trials.

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

Future treatments for HCV are likely to include a combination of these existing products used as adjuncts with products now in development. Later-stage developmental treatments include improvements to existing therapies, such as ZALBIN (albumin interferon alpha-2b) from Human Genome Sciences, Inc. Other developmental approaches include, but are not limited to, protease inhibitors such as telaprevir from Vertex Pharmaceuticals Incorporated and boceprevir from Schering-Plough Corporation.

We are currently enrolling patients in a Cotara Phase II clinical trial for the treatment of recurrent GBM, the most aggressive form of brain cancer. Approved treatments for brain cancer include the Gliadel Wafer (polifeprosan 20 with carmustine implant) from Eisai, Inc., Temodar (temozolomide) from Schering-Plough Corporation and Avastin (bevacizumab) from Roche/Genentech, Inc. Gliadel is inserted in the tumor cavity following surgery and releases a chemotherapeutic agent over time. Temodar is administered orally to patients with brain cancer. Avastin is a monoclonal antibody that targets VEGF to prevent the formation of new tumor blood vessels.

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

Avid Bioservices, Inc., our subsidiary, is exposed to risks resulting from its small customer base.

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

If we lose qualified management and scientific personnel or are unable to attract and retain such personnel, we may be unable to successfully develop our products or we may be significantly delayed in developing our products.

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

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

Our Governance Documents and State Law provide certain anti-takeover measures which will discourage a third party from seeking to acquire us unless approved by the Board of Directors.

We adopted a shareholder rights plan, commonly referred to as a "poison pill," on March 16, 2006. The purpose of the shareholder rights plan is to protect stockholders against unsolicited attempts to acquire control of us that do not offer a fair price to our stockholders as determined by our Board of Directors. Under the plan, the acquisition of 15% or more of our outstanding common stock by any person or group, unless approved by our board of directors, will trigger the right of our stockholders (other than the acquiror of 15% or more of our common stock) to acquire additional shares of our common stock, and, in certain cases, the stock of the potential acquiror, at a 50% discount to market price, thus significantly increasing the acquisition cost to a potential acquiror. 60;In addition, our certificate of incorporation and by-laws contain certain additional anti-takeover protective devices. For example,

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

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

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. [REMOVED AND RESERVED]

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS.

(a) Exhibits:

10.26 License Agreement between Stason Pharmaceuticals, Inc. and Peregrine Pharmaceuticals, Inc., dated May 3, 2010.**

10.27 Assignment Agreement between Stason Pharmaceuticals, Inc. and Peregrine Pharmaceuticals, Inc., dated May 3, 2010.**

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

---

* Filed herewith

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

SIGNATURES

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

PEREGRINE PHARMACEUTICALS, INC.

Date: September 9, 2010

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

Date: September 9, 2010

By: /s/ PAUL J. LYTLE
Paul J. Lytle
Chief Financial Officer
(signed both as an officer duly authorized to sign on behalf of the Registrant and principal financial officer and chief accounting officer)

LICENSE AGREEMENT

This LICENSE AGREEMENT (this "Agreement") is made and entered into as of this 3rd day of May, 2010 ("Effective Date") by and between Peregrine Pharmaceuticals, Inc., organized under the laws of Delaware, having its principal place of business at 14282 Franklin Avenue, Tustin, CA 92780 ("Licensor"), and Stason Pharmaceuticals, Inc., organized under the laws of California, having its principal place of business at 11 Morgan, Irvine, California 92618-4327 ("Licensee"). Licensor and Licensee may each be referred to herein individually as a "Party" and collectively as the "Parties."

BACKGROUND

WHEREAS, concurrently herewith, the Parties are entering into that certain Assignment Agreement dated May 3, 2010 (the "Assignment Agreement"), whereby Licensee is acquiring from Licensor certain intellectual property, including patent rights, in certain countries that corresponds to the intellectual property used by Licensor in connection with Licensor's Cotara® product; and

WHEREAS, Licensee desires to obtain, and Licensor desires to provide, a license to certain radiolabeling and NHS76 intellectual property rights in accordance with the terms of this Agreement but subject to certain pre-existing rights as described herein;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

ARTICLE 1.
DEFINITIONS

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

1.1 "Affiliate" means, with respect to a subject entity, another entity that, directly or indirectly, controls, is controlled by, or is under common control with such subject entity, for so long as such control exists. For purposes of this definition only, "control" means ownership, directly or indirectly, of at least 50% of the equity securities of the entity entitled to vote in the election of directors (or, in the case of an entity that is not a corporation, in the election of the corresponding managing authority, or in the case of a partnership, the status as a general partner), or, if not meeting th e preceding, the maximum voting right that may be held under the laws of the country where such entity exists, or any other arrangement whereby an entity controls or has the right to control the board of directors or equivalent governing body or management of a corporation or other entity.

1.2 "cGMP" means current Good Manufacturing Practices as defined under the rules and regulations of the United States Food and Drug Administration, as the same may be amended from time to time.

1.3 "Control" means with respect to the Retained Technology, Licensed Patents, or Licensed Know-How, the ownership thereof, or the possession of the ability to grant licenses or sublicenses thereto without violating the terms of any agreement or other arrangement with, or the rights of, any third party and without being required to make any payments or royalties to such third party.

1.4 "Field" means the treatment, palliation and imaging of cancer.

1.5 "Fully-Burdened Cost" means all direct costs (including all direct material, labor, and services costs) plus an allocated portion of overhead and general and administrative costs.

1.6 "Group A Countries" means the United States of America, Canada, Mexico, member countries of the European Union, Switzerland, Norway, South Africa, Israel, India, Australia, and New Zealand.

1.7 "Group B Countries" means the member nations of the Asia Pacific Economic Cooperation (APEC), but excluding those APEC countries included in the Group A Countries.

1.8 "Group C Countries" means all countries of the world other than those countries included in the Group A Countries or the Group B Countries.

1.9 "Licensed Know-How" means, collectively, the NHS76 Licensed Know-How and the Radiolabeling Licensed Know-How.

1.10 "Licensed Patents" means, collectively, the NHS76 Licensed Patents and the Radiolabeling Licensed Patents.

1.11 "Licensed Technology" means, collectively, the NHS76 Licensed Technology and the Radiolabeling Licensed Technology.

1.12 "Licensed Product" means a Radiolabeled Product or a NHS76 Product.

1.13 "Lonza" means, collectively, Lonza Biologics plc or its Affiliates.

1.14 "Lonza Technology" means any technology or intellectual property of Lonza, including Lonza's glutamine synthetase gene expression system technology.

1.15 "Materials" means biological materials that are in Licensor's or its Affiliates' possession as of the Effective Date in the form of that certain proprietary NS0 cell line of Seller deposited with American Type Culture Collection (ATCC) under the safe deposit number SD-3815 that produces the NHS76 Antibody.

1.16 "Net Sales" means the aggregate gross invoice price of Licensee, its Affiliates, or Sublicensees for the marketing and sale of Licensed Products, less the following to the extent actually allowed or expressly allocated to the Licensed Products:

(a) rebates, credits and cash, trade and quantity discounts, actually taken;

(b) excise taxes, sales, use, value added, and other consumption taxes and other compulsory payments to governmental authorities, actually paid;

(c) the cost of shipping packages and packing, if billed separately;

(d) insurance costs and outbound transportation charges prepaid or allowed;

(e) import or export duties and tariffs actually paid; and

(f) amounts allowed or credited due to returns.

If a Licensed Product is invoiced for a discounted price substantially lower than customary in the trade, Net Sales shall be based on the customary amount received for such Licensed Products; provided that the foregoing shall not apply in the case of shipments made by Licensee to third parties at no or low cost in connection with compassionate sales or indigent programs, for which no amounts shall be due to Licensor.

Notwithstanding the foregoing, if a Licensed Product is sold in conjunction with another active component so as to be a combination product (whether packaged together or in the same therapeutic formulation) (a "Combination Product"), Net Sales shall be calculated by multiplying the Net Sales of the Combination Product by the fraction A/(A+B), where A is the gross invoice price of the Licensed Product if sold separately in a country and B is the gross invoice price of the other product(s) included in the Combination Product if sold separately in such country. If no such separate sales are made by Licensee, its Affiliates, or Sublicensees in a country, Net Sales of the Combination Product shall be calculated in a manner to be n egotiated and agreed upon by the Parties, reasonably and in good faith, prior to any sale of such Combination Product, which shall be based upon the respective cost of goods sold of the active components of such Combination Product.

1.17 "New Research" means any research for any medical, therapeutic, or diagnostic application or use that is conducted by or on behalf of a Party, in the Territory, after the Effective Date using the Licensed Technology or the Retained Technology with respect to NHS76 Products or derivatives thereof.

1.18 "NHS76 Antibody" means the antibody having the amino acid sequence set forth on Schedule 1.18.

1.19 "NHS76 Licensed Know-How" means the following non-patented proprietary technology and information to the extent Controlled by Licensor as of the Effective Date and for the NHS76 Antibody: the manufacturing protocols for the NHS76 Antibody and ancillary standard operating procedures that are set forth on Schedule 1.19; provided that NHS76 Licensed Know-How will not include any Lonza Technology. For the avoidance of doubt, the NHS76 Licensed Know-How shall not include any technology or information developed, acquired, or otherwise Controlled by Lice nsor after the Effective Date.

1.20 "NHS76 Licensed Patents" means

(a) all the patents and patent applications that are Controlled by Licensor as of the Effective Date that are listed on Exhibit A;

(b) all divisions, continuations, foreign counterparts, patents of addition, and substitutions of, and all patents issuing on, any of such patents and patent applications described in paragraph (a) above; and

(c) all registrations, reissues, reexaminations, or extensions with respect to any of such patents described in paragraphs (a) and (b) above.

For the avoidance of doubt, the NHS76 Licensed Patents shall not include any patents or patent applications developed, acquired, or otherwise Controlled by Licensor after the Effective Date, except as expressly provided in paragraphs (b) and (c) above.

1.21 "NHS76 Licensed Technology" means, collectively, the NHS76 Licensed Patents and the NHS76 Licensed Know-How.

1.22 "NHS76 Product" means a product containing NHS76 Antibody that:

(a) is covered by or would infringe (but for this Agreement) one or more Valid Claims of the NHS76 Licensed Patents in the country of manufacture, sale, offer for sale, use, or importation; or

(b) is produced, processed, or otherwise manufactured by a process or method within the scope of one or more Valid Claims of the NHS76 Licensed Patents in the country of manufacture, sale, offer for sale, use, or importation;

(c) is used in a process or method within the scope of one or more Valid Claims of the NHS76 Licensed Patents; or

(d) uses, incorporates, or is based upon NHS76 Licensed Know-How.

Notwithstanding the foregoing, NHS76 Product shall exclude any antibody-cytokine fusion protein or any antibody and its DNA encoding sequence for use in the construction and expression of antibody-cytokine fusion proteins.

1.23 "Prosecution" means the preparation, filing, prosecution, issuance, and maintenance of any patent applications and patents within the Licensed Patents.

1.24 "Purchased Assets" has the meaning ascribed to that term in the Assignment Agreement.

1.25 "Purchased Know-How" has the meaning ascribed to that term in the Assignment Agreement.

1.26 "Purchased Patents" has the meaning ascribed to that term in the Assignment Agreement.

1.27 "Radiolabeled Product" means a product containing a NHS76 Product or a TNT Product that:

(a) is covered by or would infringe (but for this Agreement) one or more Valid Claims of the Radiolabeling Licensed Patents in the country of manufacture, sale, offer for sale, use, or importation; or

(b) is produced, processed, or otherwise manufactured by a process or method within the scope of one or more Valid Claims of the Radiolabeling Licensed Patents in the country of manufacture, sale, offer for sale, use, or importation;

(c) is used in a process or method within the scope of one or more Valid Claims of the Radiolabeling Licensed Patents; or

(d) uses, incorporates, or is based upon Radiolabeling Licensed Know-How.

1.28 "Radiolabeling Licensed Know-How" means the following non-patented proprietary technology and information to the extent Controlled by Licensor as of the Effective Date: radiolabeling protocols and ancillary standard operating procedures that are necessary or useful for the research, development, manufacture, offer for sale, sale, importation, or use of radiolabeling technology. For the avoidance of doubt, the Radiolabeling Licensed Know-How shall not include any technology or information developed, acquired, or otherwise Controlled by Licensor after the Effective Date.

1.29 "Radiolabeling Licensed Patents" means

(a) all the patents and patent applications that are Controlled by Licensor as of the Effective Date that are listed on Exhibit B;

(b) all divisions, continuations, foreign-counterparts, patents of addition, and substitutions of, and all patents issuing on, any of such patents and patent applications described in paragraph (a) above; and

(c) all registrations, reissues, reexaminations, or extensions with respect to any of such patents described in paragraphs (a) and (b) above.

For the avoidance of doubt, the Radiolabeling Licensed Patents shall not include any patents or patent applications developed, acquired, or otherwise Controlled by Licensor after the Effective Date, except as expressly provided in paragraphs (b) and (c) above.

1.30 "Radiolabeling Licensed Technology" means, collectively, the Radiolabeling Licensed Patents and the Radiolabeling Licensed Know-How. For the avoidance of doubt, the Radiolabeling Licensed Technology shall not include any patents, patent application, technology, or information developed, acquired, or otherwise Controlled by Licensor after the Effective Date.

1.31 "Retained Technology" means any of the following that is Controlled by Licensor as of the Effective Date: (i) any patent or patent applications in the Group A Countries or Group C Countries that are counterparts of the Licensed Patents, correspond to the Licensed Patents, or cover or claim the same invention(s) as those covered or claimed in the Licensed Patents and (ii) any non-patented proprietary technology and information in the Group A Countries or Group C Countries that are counterparts of the Licensed Know-How, correspond to the Licensed Know-How, or cover the same invention(s) as those covered in the Licensed Know - - How.

1.32 "Sublicensee" means any third party to whom Licensee has granted a sublicense in accordance with Section 2.3.

1.33 "Sublicensing Revenue" means any amounts (other than royalties on Net Sales) received by Licensee from the grant to any Sublicensee of any rights under this Agreement by Licensee, its Affiliates, or any other Sublicensee (including any up front fees, milestone payments, and annual maintenance payments).

1.34 "Territory" means the Group A Countries, the Group B Countries, and the Group C Countries.

1.35 "TNT Product" means a product containing a chTNT-1 Antibody or chTNT-3 Antibody (as each such term is defined in the Assignment Agreement) that:

(a) is covered by or would infringe (but for this Agreement) one or more Valid Claims of the Purchased Patents in the country of manufacture, sale, offer for sale, use, or importation; or

(b) is produced, processed, or otherwise manufactured by a process or method within the scope of one or more Valid Claims of the Purchased Patents in the country of manufacture, sale, offer for sale, use, or importation;

(c) is used in a process or method within the scope of one or more Valid Claims of the Purchased Patents; or

(d) uses, incorporates, or is based upon Purchased Know-How.

Notwithstanding the foregoing, TNT Product shall exclude any antibody-cytokine fusion protein or any antibody and its DNA encoding sequence for use in the construction and expression of antibody-cytokine fusion proteins.

1.36 "Valid Claim" means a claim of an issued and unexpired patent or a claim of a pending patent application that has not been held unpatentable, invalid, or unenforceable by a court or other government agency of competent jurisdiction and has not been admitted to be invalid or unenforceable through reissue, re-examination, disclaimer, or otherwise; provided, however, that, if any holding of invalidity, unenforceability or unpatentability is later reversed by a court or agency with overriding authority, the relevant claim shall be reinstated as a Valid Claim hereunder with respect to sales made after the date of such reversal .

1.37 The following terms have the meanings specified in the indicated Sections:

Term	Section
"AAA"	12.2(a)
"Action"	8.4.1
"Agreement"	Preamble
"Assignment Agreement"	Recitals
"China Regulatory Approval Date"	2.2(b)
"Confidential Information"	7.1
"Effective Date"	Preamble
"Indemnified Party"	9.3
"Licensee"	Preamble
"Licensee Indemnitees"	9.2
"Licensee Improvements"	2.4
"Licensor"	Preamble
"Licensor Indemnitees"	9.1
"Lonza License Date"	2.9
"Merck"	2.10
"Merck License"	2.10
"Party" or "Parties"	Preamble
"Receiving Party"	5.1.1
"Researching Party"	5.1.1
"Third Party Liabilities"	9.1

ARTICLE 2.
LICENSE

2.1 Grant. Subject to the terms and conditions of this Agreement, including Sections 2.2 and 2.7, Licensor hereby grants to Licensee:

(a) an exclusive, royalty-bearing license under the NHS76 Licensed Technology to make, have made, use, sell, offer for sale, and import NHS76 Products in the Group B Countries for the Field;

(b) a non-exclusive, royalty-bearing license under the Radiolabeling Licensed Technology to make, have made, use, sell, offer for sale, and import Radiolabeled Products in the Group B Countries for the Field; and

(c) a non-exclusive license under the Retained Technology to conduct research outside the Group B Countries to develop Licensed Products for the Group B Countries in the Field; provided that such research shall not include clinical development that competes with ongoing clinical trials of Licensor, its affiliates or strategic partners.

Notwithstanding the foregoing grant of an exclusive license under paragraph (a), Licensor retains the right under the Licensed Technology to conduct research in the Group B Countries to develop products for the Group A Countries and Group C Countries; provided that such research shall not include clinical development that competes with Licensee's ongoing clinical trials.

2.2 Effectiveness of Grants. The license grants described in Section 2.1 will only be effective as follows:

(a) The license to the Radiolabeling Licensed Technology with respect to Radiolabeled Products containing TNT Products will be effective on the Effective Date.

(b) The license to the NHS76 Licensed Technology and the license to the Radiolabeling Licensed Technology with respect to Radiolabeled Products containing NHS76 Products will be effective on the date (the "China Regulatory Approval Date") that Licensee has received approval from the State Food and Drug Administration of the People's Republic of China (the "sFDA") to begin conducting a clinical trial in humans with respect to NHS76 Products in the Field in the People's Republic of China; provided, however, that, if Licensee is required to p rovide some of the information included in the Licensed Technology to the sFDA in order to receive such approval, Licensor will use reasonable efforts to provide such information to Licensee at such time, and Licensee's license to such information will become effective at such time for such limited purpose.

(c) The license to the Retained Technology will be effective at the same time as the effectiveness of the license to the Licensed Technology to which the Retained Technology corresponds.

2.3 Sublicenses. Licensee may grant sublicenses within the scope of the licenses granted to Licensee under Section 2.1 as follows:

2.3.1. Each sublicense grant by Licensee is subject to the prior written approval of Licensor, which approval shall not be unreasonably withheld. Approval or rejection of such sublicense grant shall be provided by Licensor within 30 days from Licensor's receipt of written request for approval from Licensee. Following such approval of Licensor, Licensee shall provide Licensor with a copy of any such sublicense and any modification or termination thereof within 30 days of execution, modification, or termination of any such sublicense. Sublicensees shall have no further right to sublicense.

2.3.2. Any sublicense of Radiolabeling Licensed Technology must be in conjunction with a license of the Purchased Assets or the NHS76 Licensed Technology.

2.3.3. Each sublicense granted by Licensee shall be subject and subordinate to the terms and conditions of this Agreement and shall contain terms and conditions consistent with those in this Agreement. Without limiting the foregoing, each sublicense shall contain the following provisions: (a) a requirement that the applicable Sublicensee submit applicable sales or other reports consistent with those required hereunder; (b) an audit requirement similar to the requirement set forth in Section 4.8; (c) a requirement that the applicable Sublicensee grant the license described in Section 2.4 and comply with the confidentiality and non-use provisions of Article 7; and (d) an obligation that the Sublicensee grant Licensor a right of first negotiation on New Research of the Sublicensee in accordance with the terms of Section 5.1.

2.3.4. Licensee shall, and shall cause its Sublicensees to, ensure that each sublicense agreement includes an obligation on the Sublicensee to comply with the terms and conditions of this Agreement. Licensee also shall be responsible for the compliance of each Sublicensee with the terms of this Agreement and the applicable sublicense agreement(s), and any breach or default of this Agreement or the sublicense agreement by a Sublicensee shall be deemed to be a breach or default of this Agreement by Licensee. To the extent that a breach or default by a Sublicensee is not cured, the timely termination of the breached or defaulted sublicense agreement shall be a cure of such breach or default with respect to Licensee only.

2.3.5. Except as otherwise provided in the sublicense agreement, if this Agreement terminates pursuant to Article 11, then, upon Licensor's written election, any Sublicensee shall, from the effective date of such termination, automatically become a direct licensee of Licensor with respect to the rights originally sublicensed to the Sublicensee by Licensee; provided, however, that such Sublicensee is not in breach of its sublicense agreement and continues to perform thereunder. Notwithstanding the foregoing, Licensor shall not assume, and shall not be responsible to any Sublicensees for, any representations, warranties, or obligations of Licensee to any Sublicensee.

2.4 Improvements. All improvements to the Licensed Technology or the Retained Technology made solely by or for Licensee, its Affiliates, or Sublicensees (the "Licensee Improvements") shall be owned by Licensee. Licensee shall promptly disclose in writing to Licensor any Licensee Improvements. Licensee hereby grants to Licensor a non-exclusive, worldwide (but excluding the Group B Countries during the term of this Agreement), irrevocable, perpetual, transferable, fully paid-up, royalty-free license, with the right to grant sublicenses (including granting sublicenses to Merck under the Merck License), under any Licensee Improvements, including any patents issued, or patent applications filed, with respect to such improvements on such improvements. Such written disclosures on Licensee Improvements shall set forth sufficient data to allow Licensor to understand and practice the Licensee Improvements. Licensee hereby grants to Licensor an exclusive option to negotiate for an exclusive license to the Licensee Improvements as follows:

2.4.1. Prior to offering any license for Licensee Improvements to any third party, Licensee will notify Licensor that Licensee is considering granting such rights to third parties. Licensor will have 90 days (or such longer period agreed upon by the Parties) from receipt of such notice to notify Licensee that Licensor desires to initiate good faith negotiations with respect to exclusively licensing the Licensee Improvements described in Licensee's notice. Upon Licensee's receipt of Licensor's notice, the Parties will negotiate in good faith for a period of 90 days with respect to the terms and conditions of the exclusive license, including financial terms (such a s upfront fees, milestones, annual fees, or other financial conditions).

2.4.2. If Licensor does not notify Licensee within 90 days of receiving Licensee's notice or if the Parties are unable to agree upon the terms of a license within 90 days of Licensee's receipt of Licensor's notice (as each such time period may be extended by the Parties), then Licensee shall be entitled to non-exclusively license the Licensee Improvements covered by the applicable notice to any third party.

2.4.3. Licensee agrees that Licensor may assign the foregoing option in whole or in part to Merck.

2.5 Materials. As soon as practicable following the later of (a) the China Regulatory Approval Date and (b) the Lonza License Date, Licensor shall provide to Licensee 5 vials of master cell bank of the Materials along with a Certificate of Analysis for such Materials. Licensee acknowledges and agrees that the Materials, together with any and all progeny, derivatives, and any genetically engineered modification thereof, may only be used in connection with the license granted pursuant to Section 2.1 and in accordance with the license procured from Lonza, as described in Section 2.6. In addition, Licensee agrees as follows:

2.5.1. Licensee shall retain control over the Materials, together with any and all progeny, derivatives, and any genetically engineered modification thereof, and shall not transfer any of the foregoing to any third party (including Sublicensees) without the prior written approval of Licensor (and Lonza, if necessary). The Materials, together with any and all progeny, derivatives, and any genetically engineered modification thereof, shall remain the property of, and title to all of the foregoing shall remain in, Licensor.

2.5.2. No right or license in or to the Materials or any patents or other intellectual property rights of Licensor, other than as expressly provided by this Agreement, is granted or implied as a result of the transfer of the Materials.

2.5.3. Licensee shall not obtain, and shall not attempt to obtain, patent coverage on the Materials in the form provided by Licensor without the express written consent of Licensor.

2.5.4. Licensee acknowledges that the Materials are not intended for use in humans. Licensor is not making any warranty or representation that the use of the Materials or any product or process derived therefrom will not infringe any patent, copyright, or other rights of third parties.

2.6 Lonza. Licensee acknowledges and agrees that (a) notwithstanding anything herein to the contrary, Licensor is not granting Licensee any rights with respect to any Lonza Technology; (b) the Materials contain Lonza's gene expression system technology and, as such, Licensor's transfer of the Materials to Licensee under this Agreement requires Lonza's prior written consent, and Licensee's use of the Materials requires a license from Lonza; and (c) upon Licensor's transfer of the Materials to Licensee, Licensee's rights in the Materials shall be subject to the terms and conditions of this Agreement and to any rights of Lonza in its intellectual property or other rights contained in the Materials. Licensee must procure a direct license from Lonza to use any necessary Lonza Technology required in connection with making, having made, using, selling, offering for sale, and importing Licensed Products in the Group B Countries for the Field, which license must expressly grant Licensor permission to provide the Materials to Licensee. Licensee shall provide to Licensor a copy of such license from Lonza, which copy may be redacted so long as the redactions do not prevent Licensor for confirming that it may provide the Materials to Licensee (the date that Licensee provides such copy to Licensor, the "Lonza License Date"). If Licensee is unable to obtain a license from Lonza or obtain Lonza's consent to the transfer of Materials from Licensor to Licensee, then (i) Licensor shall no t be required to provide the Materials to Licensee (and Licensor's failure to provide the Materials shall not be deemed a breach of this Agreement); (ii) the Materials shall no longer be deemed part of the license under this Agreement; and (iii) the other provisions of this Agreement shall not be affected by the foregoing. Licensee agrees to abide by its obligations under its license with Lonza with respect to the Materials, and Licensee agrees to indemnify Seller for any failure to do so or for any breach of this Section 2.6.

2.7 Retained Merck Rights/Cytokine Fusion Proteins. Licensee acknowledges that Licensor is a party to that certain License Agreement with Merck KGaA ("Merck"), dated October 14, 2000, as amended from time to time (the "Merck License").

2.7.1. Notwithstanding the licenses in Section 2.1 or anything herein to the contrary, Licensee acknowledges and agrees that (a) Licensee is not granted any rights under the Licensed Technology or Retained Technology to make, use, sell, offer for sale, or import an antibody-cytokine fusion protein or any antibody and its DNA encoding sequence for use in the construction and expression of antibody-cytokine fusion proteins; and (b) without limiting the foregoing, the rights granted to Merck under the Merck License are expressly excluded from the rights granted to Licensee hereunder. Upon termination of the Merck License, such rights shall be retained by Licensor and shall not be included in th e rights granted to Licensee hereunder.

2.7.2. Licensee agrees not to take any action that would cause Licensor to be in breach of the Merck License. In the event of any conflict between this Agreement and the Merck License, the Merck License shall control. Licensee agrees to indemnify Licensor for any actions or inactions of Licensee that cause Licensor to breach the Merck License and for any other breach of this Section 2.7.

2.8 Restrictions. Licensee acknowledges that Licensor is a party to the following agreements (collectively, the "CTL/Medipharm Agreements"): (i) that certain Settlement Agreement and Mutual General Release among Licensor, Cancer Therapeutics Laboratories, Alan Epstein, Clive Taylor, and Peisheng Hu, effective April 24, 2009, as amended (the "CTL Settlement Agreement"), (ii) that certain Settlement Agreement among Licensor, Medibiotech, Inc., and Shanghai Medipharm Biotech Co., Ltd., dated April 17, 2009, as amended (the "Medipharm Settlement Agreement"), (iii) that certain License Agreement between Licensor and Cancer Therapeutics, Inc., dated September 20, 1995, as amended (the "CTL License"), and (iv) that certain License Agreement between Licensor and Alan Epstein, dated September 20, 1995, as amended. Furthermore, Licensee acknowledges that Licensor attempted to terminate the CTL License by written notice to Cancer Therapeutics, Inc. dated December 15, 2006, which resulted in the litigation that ended in the CTL Settlement Agreement and the Medipharm Settlement Agreement. Licensor makes no representations or warranties as to the status of any of the CTL/Medipharm Agreements or the obligations thereunder, including whether the termination notice sent under the CTL License was effec tive. Licensee acknowledges and agrees to abide by all obligations of Licensor under the CTL/Medipharm Agreements to the extent applicable to the Licensed Technology, Retained Technology, and Licensed Products, including the prohibition in the Medipharm Settlement Agreement on selling radiolabelled TNT Products (as defined by the Medipharm Settlement Agreement) within the PRC (as defined in the Medipharm Settlement Agreement) until December 31, 2016. Licensee acknowledges and agrees that it shall have no right to give the 30-day termination notice under the Medipharm Settlement Agreement with respect to such obligation and that Licensor shall be under no obligation to provide such notice. Licensee agrees to indemnify Licensor for any failure to abide by the CTL/Medipharm Agreements or any breach of this Section 2.8. Licensee acknowledges and agrees that Licensor is not responsible for the activities of any of the parties to the CTL/Medipharm Agreements and Licensor shall not indemnify Licensee for any such parties' activities in the Group B Countries. In the event of any conflict between this Agreement and the CTL/Medipharm Agreements, the CTL/Medipharm Agreements shall control.

2.9 No Unauthorized Sales. Licensee acknowledges and agrees that it has no right to, and shall not, and shall not grant any right or license to any of its Affiliates or third parties, directly or indirectly, to make, use, sell, offer for sale, or import the Licensed Product, or otherwise use or practice the Licensed Technology or Retained Technology, outside the Group B Countries. Licensee shall prevent the manufacture, use, sale, offer for sale, and importation of the Licensed Product, and the use and practice of the Licensed Technology or Retained Technology, outside the Group B Countries by Licensee or any of its Affiliates and shall use commercially reasonable efforts to prevent such manufacture, use, sale, offer for sale, and importation of the Licensed Product, or such use and practice of the Licensed Technology or Retained Technology, outside the Group B Countries, including by not selling, offering for sale, or exporting the Licensed Product to any person if Licensee or any of its Affiliates has actual knowledge or a reasonable belief that such person is making, using, selling, offering for sale, and importing (or intends to do) such Licensed Product outside the Group B Countries.

2.10 No Implied Licenses. Only the licenses granted expressly herein shall be of legal force and effect. No license rights shall be created hereunder by implication, estoppel, or otherwise.

ARTICLE 3.
DUE DILIGENCE REQUIREMENTS

3.1 Due Diligence. Licensee shall use commercially reasonable efforts to proceed with the development and commercialization of Licensed Products. Without limiting the foregoing, Licensee shall meet the following milestones:

(a) By the 5th anniversary of the Effective Date, Licensee shall begin conducting clinical trials for the purpose of supporting regulatory approval of the Licensed Product in one or more countries of the Group B Countries where local clinical trials are required.

(b) By the 8th anniversary of the Effective Date, Licensee shall have obtained regulatory approval of the Licensed Product in one or more countries of the Group B Countries.

(c) Licensee shall use commercially reasonable efforts to begin commercial sale of Licensed Product shortly after Licensee receives regulatory approval for the Licensed Product in such country of the Group B Countries.

3.2 Reports. No later than each anniversary of the Effective Date, or as requested by Licensor in writing 60 days in advance, but no more than four times a year, Licensee shall provide Licensor a written report evidencing the efforts and accomplishments of Licensee and Sublicensees during the preceding one year period in developing and commercializing Licensed Products and their development and commercialization plans for the subsequent one year period. Such reports shall include scientific data obtained in furtherance of Licensee's attempts to develop and commercialize Licensed Products and a showi ng of compliance with Section 3.1 above.

3.3 Failure to Report. If Licensee fails to provide the reports set forth in Section 3.2 or if such reports do not show satisfactory compliance with Section 3.1 above, as reasonably determined by Licensor, Licensor shall have the right to terminate this Agreement as set forth in Section 11.2.

ARTICLE 4.
PAYMENTS AND REPORTS

4.1 Up Front Fee. Licensee shall pay to Licensor a one-time, non-refundable, up-front fee of [****] on or before June 30, 2010.

4.2 Royalties. On a country-by-country, Licensed Product-by-Licensed Product basis, Licensee shall pay to Licensor royalties equal to [****] of Net Sales of Licensee or its Affiliates in the Group B Countries.

4.3 Sublicense Fees and Sublicensee Royalties. Licensee shall pay to Licensor the following amounts in connection with any sublicenses by Licensee of the rights granted hereunder:

4.3.1. On a country-by-country, Licensed Product-by-Licensed Product basis, royalties equal to the greater of (a) [****] of Net Sales of the applicable Sublicensee and (b) [****] of the royalties paid by such Sublicensee to Licensee on the Net Sales of such Sublicensee; and

4.3.2. [****] of any Sublicensing Revenues.

4.4 Royalty & Payment Term. The obligation of Licensee to make payments under Sections 4.1 and 4.2 shall continue, on a Licensed Product-by-Licensed Product and country-by-country basis, until the later of (i) the date on which the offering for sale, selling, making, having made, using, or importing such Licensed Product is no longer covered by a Valid Claim of a Licensed Patent in such country and (ii) the 15th anniversary of the first commercial sale of such Licensed Product in such country.

[****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

4.5 Reports and Payments. After the first commercial sale of a Licensed Product by Licensee, any of its Affiliates, or any Sublicensees, Licensee shall make quarterly written reports to Licensor within 30 days after the end of each calendar quarter, stating in each such report with respect to such calendar quarter (a) the number of Licensed Products manufactured and sold, segregating Licensee's and its Affiliates' sales and sales by each Sublicensee; (b) gross amounts billed for Licensed Products sold on a country-by-country basis, segregating Licensee's and its Affiliates' sales and sales by each Sublicensee; (c) deductions applicable to Net Sales; (d) the royalties paid by any Sublicensee to Licensee on the Net Sales of such Sublicensee; (e) total royalties due; (f) the amount of any Sublicensing Revenues received; and (g) total amount due to Licensee with respect to such Sublicensing Revenue. Simultaneously with the delivery of each such report, Licensee shall pay to Licensor the royalties and Sublicensing Revenue fees, if any, due to Licensor for the period of such report. If no amounts are due, Licensee shall so report.

4.6 Payment Method. Unless otherwise specified by this Agreement or requested in writing by Licensor, all amounts payable under this Agreement shall be made by check or wire drawn on a United States bank account and delivered to Licensor at the address set forth in Section 13.4 or such other business address as Licensor may designate in writing. All payments hereunder shall be made in U.S. dollars. Any failure by Licensee to make a payment when due shall obligate Licensee to pay Licensor interest on the sum outstanding at a rate per annum equal to the prime rate as quoted in the *Wall Street Journal*, New York edition, on the day such payment is due, plus a premium of 3%, calculated on the basis of a 365 day year, the interest period commencing on the due date and ending on the payment date. Interest shall be compounded and the interest rate shall be adjusted each month in arrears, such interest being also due and payable on the payment date.

4.7 Currency Conversion. If any currency conversion shall be required in connection with the calculation of payments hereunder, such conversion shall be made using the selling exchange rate for conversion of the foreign currency into U.S. dollars, quoted for current transactions reported in *The Wall Street Journal*, New York edition, for the last business day of the calendar quarter to which such payment pertains.

4.8 Taxes. All payments hereunder shall be made free and clear of and without deduction or deferment in respect of any demand, set-off, counterclaim, or other dispute, and so far as is legally possible, such payment shall be made free and clear of any taxes imposed by or under the authority of government or any public authority and in particular, but without limitation, where any sums due to be paid to Licensor hereunder are subject to any withholding or similar tax, Licensee shall pay such additional amount as shall be required to ensure that the net amount received by Licensor hereunder shall equal the full amount that would have been due to Licensor hereunder had no such tax been imposed or required by law to be withheld unless said tax is withheld for the benefit of Licensor. Without prejudice to the foregoing, Licensor agrees to provide reasonable assistance to Licensee in order for Licensee to take advantage of any applicable legal provision or any double taxation treaty with the object of paying the sums due to Licensor without imposing or withholding any tax.

4.9 Inspection of Books and Records. Licensee shall maintain accurate books and records that enable the calculation of royalties and other amounts payable hereunder to be verified. Licensee shall retain the books and records for each quarterly period for three years after the submission of the corresponding report under Section 4.4 hereof. Upon 30 days' prior notice to Licensee, Licensor or its designee may have access to the books and records of Licensee to conduct a review or audit once per calendar year, for the sole purpose of verifying the accuracy of Licensee's payments and co mpliance with this Agreement. Licensor's failure to audit shall not be considered a waiver of any objection to the amounts paid by Licensee. Such access shall be permitted during Licensee's normal business hours during the term of this Agreement and for three years after the expiration or termination of this Agreement. Any such inspection or audit shall be at Licensor's expense, except that, if the audit results show that for any calendar quarter examined there has been an underpayment by Licensee of more than 5%, then Licensee will pay for reasonable audit expenses incurred by Licensee unless such underpayment is a result of currency exchange fluctuations. In all cases, Licensee shall pay to Licensor any underpaid amounts promptly and with interest at the rate on the terms set forth in Section 4.5 above. Any overpayments by Licensee revealed in such inspection and audit shall be refunded to Licensee or credited to future payments owed by Licensee hereunder, at Licensor's election.

ARTICLE 5.
RESEARCH & DEVELOPMENT

5.1 Right of First Negotiation for Research Results. From the Effective Date until the fifth anniversary of the Effective Date (the "Restricted Period"), each Party agrees to offer the other Party a right of first negotiation to acquire rights to research, develop, and commercialize products and methods under technology and intellectual property resulting from New Research in such other Party's portion of the Territory, meaning Group B Countries for Licensee and the Group A Countries and Group C Countries for Licensor. Such right of first negotiation shall be as follows:

5.1.1. During the Restricted Period, prior to offering any commercialization rights for New Research to any third party in the other Party's portion of the Territory, each Party (the "Researching Party") will provide the other Party (the "Receiving Party") with reports on any New Research, setting forth sufficient data and results obtained from any New Research to allow the Receiving Party to evaluate its interest in obtaining rights. All such reports will be deemed Confidential Information of the Researching Party providing the repor t. The Receiving Party is not granted any license to the report or any information or results contained therein. The Receiving Party may not use the results of the Researching Party's New Research without the Researching Party's explicit permission following the execution of a written agreement defining the terms and conditions of such use.

5.1.2. The Receiving Party will have 90 days (or such longer period agreed upon by the Parties) from receipt of such report to notify the Researching Party that the Receiving Party desires to initiate good faith negotiations with respect to licensing, in the Receiving Party's portion of the Territory, the New Research described in such report. Upon the Researching Party's receipt of such notice, the Parties will negotiate in good faith for a period of 90 days with respect to the terms and conditions of the license, including financial terms (such as upfront fees, milestones, annual fees, or other financial conditions); provided, however, the Parties agree that the terms of such l icense will include the obligation of the Receiving Party to pay to the Researching Party a royalty of [****] of Net Sales of products covered by the license.

[****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

5.1.3. If the Receiving Party does not notify the Researching Party within 90 days of receiving a report or if the Parties are unable to agree upon the terms of a license within 90 days of the Researching Party's receipt of the Receiving Party's notice (as each such time period may be extended by the Parties), then the Researching Party shall be entitled to license the New Research covered by the applicable report to any third party.

5.1.4. Notwithstanding the foregoing, Licensee acknowledges that Licensee's rights of first negotiation under this Section 5.1 are subordinate to any rights of first negotiation or first refusal granted to Merck under the Merck License.

5.2 Clinical Trial Data. Each Party agrees to consider sharing with the other Party clinical trial and regulatory data with respect to the Product developed or obtained by the first Party. The foregoing shall not create an obligation of either Party to share data with the other Party, and the specific terms for any agreement to share data must be agreed upon by the Parties in writing, including the terms for compensation, data to be shared, and the scope of the other Party's right to use the data. Either Party may notify the other if it desires to obtain clinical and regulatory data from the other or desires to share clinical and regulatory data with the other Party.

ARTICLE 6.
SUPPLY

6.1 Supply of NHS76 Antibody. Upon Licensee's written request, Licensor agrees to supply (or cause to be supplied) for Licensee NHS76 Antibody as follows:

6.1.1. Subject to Section 6.1.3 below, upon Licensee's written request, Licensor agrees to supply, [****], up to 100 mg of cGMP NHS76 Antibody along with a Certificate of Analysis for such antibody. Such NHS76 Antibody will be delivered within a reasonable time following Licensee's request if Licensor has a readily available supply of such antibody; otherwise, Licensor agrees to provide such NHS76 Antibody within a reasonable time following Licensor's next scheduled cGMP production run for NHS76 Antibody; provided that Licensor will provide such NHS76 Antibody no later than 9 months after Licensee's reque st.

6.1.2. Subject to Section 6.1.3 below, upon Licensee's written request, Licensor agrees to supply up to five 100-liter batches of cGMP NHS76 Antibody at Licensor's Fully-Burdened Cost of each batch plus [****]. Following Licensee's request, Licensor will schedule a cGMP product run for the NHS76 Antibody in Licensor's next available slot in Licensor's 100L bioreactor for producing such antibody.

6.1.3. Notwithstanding Sections 6.1.1 and 6.1.2 above, if, at the time of Licensee's request for supply, Licensor has not developed a process to manufacture NHS76 Antibody under cGMP, then the following will apply:

(a) The NHS76 Antibody to be supplied under such sections shall be up to 5L batches of research grade antibody, not cGMP, unless Licensee pays for Licensor's development of the cGMP manufacturing process or provides such a process to Licensor as described in Section 6.1.3(b) below. If Licensee does pay for such development or provides such process, the time periods for supplying the NHS76 Antibody under Section 6.1.1 and 6.1.2 shall begin, not upon Licensee's written request, but following successful implementation by Licensor of the cGMP process.

[****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

(b) Upon Licensee's written request, Licensor agrees to develop the process to manufacture NHS76 Antibody under cGMP, and Licensee will pay Licensor for such development at Licensor's Fully-Burdened Cost plus [****], which Fully-Burdened Cost is not expected to exceed [****]. Alternatively, Licensee may develop its own process, at its own cost, and provide such process to Licensor and Licensee will pay Licensor for all costs associated with process development work associated with scaling up the process at Licensor's Fully-Burdened Cost plus [****]. All right, title, and interest in any intellectual property developed by Licensor in connection with developing the manufacturing process as described in this Section 6.1.3(b) shall be solely owned by Licensor; provided that such intellectual property shall be deemed part of the NHS76 Licensed Technology under this Agreement.

6.2 Term for Supply. All requests for NHS76 Antibody under Section 6.1 must be submitted by Licensee in writing no later than the fifth anniversary of the Effective Date, and Licensor shall supply such antibody no later than the sixth anniversary. All requests for Licensor to develop a cGMP process or to use Licensee's cGMP process under Section 6.1.3(b) must be submitted by Licensee in writing no later than 18 months after the Effective Date.

ARTICLE 7.
CONFIDENTIALITY

7.1 Confidential Information. Except as expressly provided in this Agreement, neither Party shall use for its own benefit or the benefit of any third party except in connection with the activities contemplated by this Agreement, or disclose to any third party, any confidential, proprietary, or trade secret information (the "Confidential Information") received from the other Party hereto. The terms and conditions of this Agreement shall be deemed the Confidential Information of both Parties. The obligations of this Sect ion 7.1 shall continue until five years after the expiration or termination of this Agreement; provided that (a) in the case of any Confidential Information that constitutes a "trade secret," such obligations shall continue for the longer of such five-year period or for so long as such trade secret Confidential Information remains a trade secret; and (b) in the case of Confidential Information that consists of financial data, such obligations shall continue only for two years from the time of disclosure of such financial data to the receiving Party. Licensee acknowledges and agrees that the protocols included within the Licensed Technology and Retained Technology are trade secrets of Licensee.

7.2 Permitted Disclosures. Notwithstanding Section 7.1 above, Confidential Information shall not include any of the following information that the receiving Party can demonstrate by competent evidence:

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

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

[****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

(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 independently developed by the receiving Party without reference to any information or materials disclosed by the disclosing Party; or

(e) was subsequently disclosed to the receiving Party by a person other than the disclosing Party without breach of any legal obligation to the disclosing Party.

In addition, either Party may disclose Confidential Information of the other to:

(i) to such receiving Party's and its Affiliates' legal representatives, employees, consultants, and Sublicensees (and potential Sublicensees), to the extent such disclosure is reasonably necessary to achieve the purposes of this Agreement, and provided (a) such legal representatives and employees are informed of the confidential nature of the Confidential Information and the restrictions on disclosure and use contained herein and (b) such consultants and Sublicensees (and potential Sublicensees) have agreed in writing to obligations of confidentiality with respect to such information no less stringent than those set forth herein;

(ii) to a potential sublicensee of Licensor of the Licensed Technology outside of the Field or of the Retained Technology outside the Group B Countries, provided such sublicensee has agreed in writing to obligations of confidentiality with respect to such information no less stringent than those set forth herein; or

(iii) if disclosure is compelled to be disclosed by a court order or applicable law or regulation (including the rules and regulations of the Securities and Exchange Commission or any national securities exchange), provided that the Party compelled to make such disclosure (a) requests confidential treatment of such information, (b) provides the other Party with sufficient advance notice of the compelled disclosure to provide adequate time to seek a protective order, and (b) discloses only the minimum necessary to comply with the requirement to disclose.

The receiving Party shall be responsible for all breaches of this Agreement by the receiving Party's and its Affiliates' legal representatives and employees.

7.3 Press Release; Disclosure of Agreement. The Parties agree that either Party may release the statement attached hereto as Exhibit C. Except for such release, each Party agrees that there shall be no public announcement of the execution of this Agreement without the prior written consent of the other Party. The text of any press release to be issued by Licensee or Licensor concerning this Agreement as well as the precise date and timing of the press release shall be agreed between the Parties in writing in advance, such agreemen t not to be unreasonably withheld or delayed. Notwithstanding the foregoing, this restriction shall not apply to announcements required by law or regulation (including the Securities and Exchange Commission or any other national securities exchange), except that, in such event, the Parties shall coordinate to the extent possible with respect to the details of any such announcement. This restriction shall not apply to disclosure of this Agreement to certain private third parties such as the shareholders of either Party, prospective acquirers, and sublicensees, investment bankers, attorneys, and other professional consultants, and prospective investors in either Party who have agreed in writing to obligations of confidentiality with respect to such information no less stringent than those set forth herein. Once a particular disclosure has been approved, further disclosures that do not differ materially therefrom may be made without obtaining any further consent of the other Par ty.

7.4 Publication. Licensee shall not publicly present or publish results of studies carried out under this Agreement (each such presentation or publication, a "Publication") without the opportunity for prior review by Licensor. Licensee shall provide Licensor the opportunity to review any proposed Publication at least 30 days prior to the earlier of its presentation or intended submission for publication. Licensee agrees, upon request by Licensor, not to submit or present any Publication until Licensor has had 30 days t o comment on any material in such Publication. Licensee shall consider the comments of Licensor in good faith but will retain the sole authority to submit the manuscript for Publication; provided that Licensee shall not have the right to publish or present Licensor's Confidential Information without Licensor's prior written consent. Licensee shall provide Licensor a copy of the Publication at the time of the submission or presentation.

7.5 Publicity. Neither Party shall use the name of the other Party in connection with any written publicity, news release, or other announcement or statement relating to this Agreement or to the performance hereunder or the existence of an arrangement between the Parties without prior written approval from such Party.

ARTICLE 8.
PATENT PROSECUTION, ENFORCEMENT, AND DEFENSE

8.1 Prosecution of Licensed Patents.

8.1.1. Licensor's Responsibilities. Licensor shall have the right, but not the obligation, to control the Prosecution of the Licensed Patents, at Licensor's cost. During the term of this Agreement, no later than each anniversary of the Effective Date, or as requested by Licensee in writing 30 days in advance, but no more than twice a year, Licensor shall provide to Licensee a status report regarding the status of the Licensed Patents. During the term of this Agreement, upon the written request by Licensee but not more than twice a year, and at Licensee's sole cost, Licensor shall provide to Licensee, within 60 days of Licensee's written request, a copy of any patent or patent application within the Licensed Patents and any material documents received from or sent to any patent office relating thereto that relate to the scope, term, maintenance, validity, or enforceability of any of the Licensed Patents, or any challenge to or change to any of the preceding. Licensee shall cooperate with Licensor in the Prosecution of the Licensed Patents.

8.1.2. Licensor's Failure to Prosecute. If Licensor decides not to Prosecute any of the patent applications or patents within the Licensed Patents, Licensor shall give Licensee written notice thereof at least 30 days prior to allowing such patent applications or patents to lapse or go abandoned. Thereafter, during the term of this Agreement, Licensee shall have the right to Prosecute such patent applications or patents, at Licensee's sole cost, using patent counsel acceptable to Licensor. Licensor shall execute such further documents as may be reasonably necessary or appropriate, and provide re asonable assistance and cooperation, to implement the provisions of this Section 8.1.2. In connection with Licensee's Prosecution, Licensee shall consult with Licensor and provide Licensor with copies of all substantive documents. Without limiting the foregoing, Licensee agrees as follows:

(a) During the term of this Agreement, Licensee shall provide Licensor with copies of all substantive documents relating to any Licensed Patent that Licensee is Prosecuting received from or to be filed in any patent office within 30 days of receipt and at least 30 days prior to filing, respectively, including copies of each patent, patent application, notice, official action, rejection, objection, response to official action, declaration, information disclosure statement, request for terminal disclaimer, request for patent term extension, and request for reexamination.

(b) Licensor shall have the right to comment on the Prosecution of the Licensed Patents subject to this Section 8.1.2 and provide such comments to Licensee's patent counsel, and Licensee shall require its patent counsel to implement Licensor's comments. If Licensor fails to provide its comments with respect to the Prosecution of a patent application or patent subject to this Section 8.1.2 at least 10 days prior to the deadline for filing or otherwise responding to the relevant paper in the relevant patent office, Licensee shall be free to act without consideration of Licensor's comments.

8.2 Patent Term Extensions. With respect to any patent within the Licensed Patents, any extension of such patent or governmental equivalent that extends the exclusivity of any of the patent subject matter where available in any country in the world shall be in Licensor's sole discretion; provided that Licensor will give due consideration to any written requests of Licensee with respect to specific extensions. Licensee shall provide reasonable assistance to facilitate Licensor's efforts to obtain any extensions.

8.3 Enforcement. If either Party hereto becomes aware that any Licensed Patents are being or have been infringed by any third party or are subject to a declaratory judgment action such Party shall promptly notify the other Party hereto in writing describing the facts relating thereto in reasonable detail.

8.4 Enforcement of Licensed Patents. Subject to any rights of Merck under the Merck License, the following will apply:

8.4.1. NHS76 Licensed Patents by Licensee. Licensee shall have the initial right, but not the obligation, to institute, prosecute, and control any infringement or declaratory judgment action, suit, or proceeding (an "Action") to the extent related to the NHS76 Licensed Patents with respect to any Licensed Products in the Field in the Group B Countries, at Licensee's expense, using legal counsel acceptable to Licensor, and Licensor shall cooperate with Licensee in connection with any suc h Action, at Licensee's expense. Licensee may not enter into any settlement, consent, or other voluntary final disposition of such Action without Licensor's prior written consent. All expenses and all recovery for such Action shall be allocated as follows: (a) to reimburse each Party for all expenses of the suit, including attorneys' fees and disbursements, court costs, and other litigation expenses; and (b) any remaining amount shall be retained by Licensee (but shall be included in the calculations of Net Sales).

8.4.2. NHS76 Licensed Patents by Licensor. In the event Licensee fails to initiate or defend any Action involving the NHS76 Licensed Patents with respect to a Licensed Product in the Field within 60 days of receiving written notice of any alleged infringement, or if Licensee elects not to continue prosecuting or defending any such Action, Licensor shall have the right, but not the obligation, to prosecute or defend such an Action, at Licensor's expense, using legal counsel of its choice. Licensor may join Licensee as a plaintiff in any such Action and Licensee shall otherwise cooperate with Licensor in connecti on with any such Action, each at Licensor's expense. All expenses and all recovery for such Action shall be allocated as follows: (a) to reimburse each Party for all expenses of the suit, including attorneys' fees and disbursements, court costs, and other litigation expenses; and (b) any remaining amount shall be retained by Licensor.

8.4.3. Radiolabeling Licensed Patents. Licensor shall have the sole right, but not the obligation, to institute, prosecute, and control any Action to the extent related to the Radiolabeling Licensed Patents, at Licensor's expense, using legal counsel of its choice. Licensor may join Licensee as a plaintiff in any such Action, and Licensee shall otherwise cooperate with Licensor in connection with any such Action, each at Licensor's expense. All expenses and all recovery for such Action shall be allocated as follows: (a) to reimburse each Party for all expenses of the suit, including attorneys&# 8217; fees and disbursements, court costs, and other litigation expenses; and (b) any remaining amount shall be retained by Licensor.

8.4.4. Other Rights. Except for the enforcement rights described in Section 8.4.1 above, Licensee shall have no rights to institute, prosecute, and control any Action or any other action, suit, or proceeding with respect to any intellectual property right licensed to Licensee hereunder.

8.5 Cooperation. In any suit, action, or other proceeding brought or defended by one Party in connection with enforcement or defense of the Licensed Patents, the other Party shall cooperate fully, including by joining as a party plaintiff and executing such documents as the Party bringing or defending the suit, action, or other proceeding may reasonably request in writing. Furthermore, upon the written request of the Party bringing the suit, action, or other proceeding, the other Party shall make available at reasonable times and under appropriate conditions all relevant records, papers, information, samp les, and other similar materials in its possession.

8.6 Packaging. Licensee agrees that all Licensed Products sold by Licensee and Sublicensees will be marked with the patent number of the applicable Licensed Patent hereunder or any other notice of patent rights, in each case, necessary or desirable under applicable law to enable the Licensed Patents to be enforced to their full extent in any country where Licensed Product are made, used, sold, or offered for sale.

8.7 Challenge of Patents. Neither Licensee nor any of its Affiliates or Sublicensees, directly or indirectly, shall challenge the validity, scope, or enforceability of any patent or patent application within the Licensed Patents or the Retained Technology, including challenging by means of reexamination, opposition, interference, declaratory judgment proceeding, or invalidity or nullity proceeding, or shall procure, support, encourage, or assist a third party to take any such action. Any breach of this Section 8.7 shall be deemed a material breach by Licensee, giving Licensor, at its option and in its sol e discretion, a right to terminate this Agreement pursuant to Section 11.2; provided that Licensee's cure period under Section 11.2 shall be limited to 15 days for any such breach.

ARTICLE 9.
INDEMNIFICATION; INSURANCE

9.1 Licensee. Licensee shall defend, indemnify, and hold harmless Licensor, its Affiliates, and their respective directors, officers, employees, and agents (collectively, the "Licensor Indemnitees") from and against any and all third party claims, suits, losses, liabilities, damages, costs, fees, and expenses (including attorneys' fees and expenses of litigation) (collectively, "Third Party Liabilities") to the extent arising out of or resulting from (a) any breach of, or inaccuracy in, any representation or warranty made by Licensee in this Agreement, or any breach or violation of any covenant or agreement of Licensee in or pursuant to this Agreement, including any breach of the obligations of Section 2.6, 2.7, or 2.8; (b) the negligence or willful misconduct of Licensee, its Affiliates, Sublicensees, or their respective directors, officers, employees, and agents; and (c) the manufacture, sale, offer for sale, use, or importation by Licensee, its Affiliates, Sublicensees or their respective designees of Licensed Products, including any product liability claims (under any theory, including actions in the form of tort, warranty, or strict liability) relating to the Licensed Products. Licensee shall have no obligation to indemnify the Licensor Indemnitees to the extent that the Third Party Liabilities arise out of or result from, directly or indirectly, any breach of, or inaccuracy in, any representation or warranty made by Licensor in this Agreement, o r any breach or violation of any covenant or agreement of Licensor in or pursuant to this Agreement, or the negligence or willful misconduct by or of any of the Licensor Indemnitees.

9.2 Licensor. Licensor shall defend, indemnify, and hold harmless Licensee, its Affiliates, and their respective directors, officers, employees, and agents (collectively, the "Licensee Indemnitees") from and against any and all Third Party Liabilities to the extent arising out of or resulting from (a) any breach of, or inaccuracy in, any representation or warranty made by Licensor in this Agreement, or any breach or violation of any covenant or agreement of Licensor in or pursuant to this Agreement; and (b) the negligence or willful miscond uct of Licensor, its Affiliates, or their respective directors, officers, employees, and agents. Licensor shall have no obligation to indemnify the Licensee Indemnitees to the extent that the Third Party Liabilities arise out of or result from, directly or indirectly, any breach of, or inaccuracy in, any representation or warranty made by Licensee in this Agreement, or any breach or violation of any covenant or agreement of Licensee in or pursuant to this Agreement, or the negligence or willful misconduct by or of any of the Licensee Indemnitees.

9.3 Indemnification Procedure. In the event of any such claim against any Licensee Indemnitee or Licensor Indemnitee (each an "Indemnified Party"), the Indemnified Party shall promptly notify the indemnifying Party in writing of the claim and the indemnifying Party shall manage and control, at its sole expense, the defense of the claim and its settlement. The indemnifying Party shall have the right to solely direct and control the defense and settlement of any such proceeding and, if it so elects, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and shall pay the fees and expenses of such counsel related to such proceeding. In any such proceeding, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless (i) the indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded

parties) include both the indemnifying Party and the Indemnified Party and representation of the parties by the same counsel would be inappropriate due to actual or potential differing interests between them. All such reimbursable fees and expenses shall be reimbursed as they are incurred. The indemnifying Party shall not be liable for any settlement of any proceeding initiated or pursued without its prior written consent, but, if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying Party shall indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The indemnifying Party shall not, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceed ing in respect of which the Indemnified Party is, or arising out of the same set of facts could have been, a party and indemnity could have been sought hereunder by the Indemnified Party, unless such settlement includes an unconditional release of the Indemnified Party from all liability on claims to which the indemnity relates that are the subject matter of such proceeding. The Indemnified Party shall cooperate with the indemnifying Party and may, at its option and expense, be represented in any such action or proceeding.

9.4 Insurance.

9.4.1. Beginning upon the first dosing of a human patient in a clinical study with respect to a Licensed Product and thereafter during the term of this Agreement, Licensee shall, and shall cause each Sublicensee to, as applicable, at its sole cost and expense, procure and maintain comprehensive general liability insurance in amounts not less than $3,000,000 per incident and $2,000,000 annual aggregate naming Licensor as an additional insured. Such comprehensive general liability insurance shall provide (i) product liability coverage and (ii) broad form contractual liability coverage for Licensee's indemnification obligations under Section 9.1 above. The minimum amount of ins urance coverage required under this Section 9.4. shall not be construed to create a limit of Licensee's liability with respect to its indemnification obligations under Section 9.1 above.

9.4.2. Licensee shall provide Licensor with written evidence of such insurance upon the written request of Licensor. Licensee shall provide Licensor with written notice at least 15 days prior to the cancellation, non-renewal, or material change in such insurance; if Licensee does not obtain replacement insurance providing comparable coverage within such 15-day period, notwithstanding Section 11.2 of this Agreement, Licensor shall have the right to terminate this Agreement effective at the end of such 15-day period without notice or any additional waiting periods.

9.4.3. Licensee shall maintain such comprehensive general liability insurance beyond the expiration or termination of this Agreement (i) during the period after the first dosing of a human patient in a clinical study with respect to a Licensed Product and throughout the term of this Agreement, and (ii) after termination or expiration, for a reasonable period, which in no event shall be less than 15 years.

9.5 LIMITATION OF LIABILITY. NEITHER PARTY HERETO SHALL BE LIABLE FOR INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER, INCLUDING LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES. NOTHING IN THIS SECTION 9.5 IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF EITHER PARTY OR TO LIMIT A PARTY'S LIABILITY FOR BREACHES OF ITS OBLIGATION REGARDING CONFIDENTIALITY UNDER ARTICLE 7.

ARTICLE 10.
REPRESENTATIONS AND WARRANTIES

10.1 Licensor. Licensor represents and warrants that, as of the Effective Date: (i) it is a corporation duly organized, validly existing, and in good standing under the laws of Delaware; (ii) the execution, delivery, and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Licensor; (iii) Licensor has the right to grant the rights and licenses granted herein; and (iv) to the best of Licensor's knowledge, there are no threatened or pending actions, suits, investigations, claims, or proceedings against Licensor relating to the Licensed Patents.

10.2 Licensee. Licensee represents and warrants that, as of the Effective Date: (i) it is a corporation duly organized validly existing and in good standing under the laws of the State of California; and (ii) the execution, delivery, and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Licensee

10.3 Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE 10, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, TO THE OTHER PARTY WITH RESPECT TO ANY LICENSED PRODUCTS, LICENSED PATENTS, OR OTHER SUBJECT MATTER OF THIS AGREEMENT, AND EACH PARTY HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NONINFRINGEMENT WITH RESPECT TO ANY AND ALL OF THE FOREGOING. WITHOUT LIMITING THE FOREGOING, EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE 10, THE LICENSED PATENTS ARE PROVIDED "AS IS," AND LICEN SOR MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE PERFORMANCE OF LICENSED PRODUCT(S) INCLUDING THEIR SAFETY, EFFECTIVENESS, OR COMMERCIAL VIABILITY.

ARTICLE 11.
TERM AND TERMINATION

11.1 Term. The term of this Agreement shall commence on the Effective Date, and unless earlier terminated as provided herein, shall continue in full force and effect on a country-by-country and Licensed Product-by-Licensed Product basis until there are no remaining payment obligations in a country pursuant to Article 4, at which time the Agreement shall expire in its entirety in such country.

11.2 Termination for Cause. If either Party materially breaches this Agreement, the nonbreaching Party may elect to terminate this Agreement by giving the breaching Party written notice describing the alleged breach. If the breaching Party has not cured such breach within 60 days after receipt of such notice (or 30 days with respect to the payment of money), this Agreement shall terminate effective at the end of such 60-day period (or 30-day period, as applicable).

11.3 Termination for Bankruptcy. Either Party may, subject to applicable law and to the provisions set forth herein, terminate this Agreement by giving the other Party written termination notice if, at any time, the other Party shall: (a) file in any court pursuant to any statute a petition for bankruptcy or insolvency, or for reorganization in bankruptcy, or for an arrangement or for the appointment of a receiver, trustee, or administrator of such Party or of its assets; (b) propose a written agreement of composition or extension of its debts; (c) be served with an involuntary petition against it, filed in any insolvency proce eding, and such petition shall not be dismissed within 60 days after the filing thereof; (d) propose or be a Party to any dissolution; or (e) make an assignment for the benefit of its creditors.

11.4 Termination At Will. Licensee may terminate this Agreement in its entirety upon 6 months' written notice to Licensor; provided that Licensee pays, simultaneously with the delivery of such notice, Licensor [****], as an early termination fee.

11.5 Notwithstanding the foregoing or anything to the contrary in this Agreement, if Licensee does not make the upfront payment of [****] under Section 4.1 by June 30, 2010, this Agreement shall automatically terminate.

11.6 Effect of Termination.

11.6.1. Accrued Rights and Obligations. Termination of this Agreement for any reason shall not release any Party hereto from any liability that, at the time of such termination, has already accrued to the other Party or that is attributable to a period prior to such termination, nor preclude either Party from pursuing any rights and remedies it may have hereunder or at law or in equity that accrued or are based upon any event occurring prior to such termination.

11.6.2. Return of Confidential Information. Upon any termination of this Agreement, each Party shall promptly return to the other Party, or destroy at the other Party's option, all Confidential Information received from the other Party, including all reproductions and copies thereof in any medium, except one copy of which may be retained for archival purposes.

11.6.3. Return of Materials. Upon any termination of this Agreement, Licensee shall promptly return to Licensor all Materials received from Licensor, together with any and all progeny, derivatives, and any genetically engineered modification thereof.

[****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

11.6.4. Stock on Hand. If this Agreement is terminated other than for a breach by Licensee, Licensee and Sublicensees shall have the right to sell or otherwise dispose of the stock of any Licensed Product subject to this Agreement then on hand, subject to compliance with the payment provisions of Article 4.

11.6.5. Unpaid Amounts. Termination of this Agreement shall not affect Licensor's right to recover from Licensee any royalties, fees, or expenses that Licensee is obligated to pay to Licensor, which obligation accrued prior to the effective date of such termination (or after such termination with respect to payments owed pursuant to Section 11.5.4).

11.6.6. Licenses. Subject to Section 11.5.4, upon termination of this Agreement, the licenses granted herein shall terminate and the intellectual property rights granted herein shall revert to Licensor, at no cost to Licensor.

11.6.7. Certain Events. If this Agreement is terminated by Licensee under Section 11.4 or by Licensor under Section 11.2 or 11.3, then following shall apply:

(a) Licensee hereby grants (effective only upon any such termination of this Agreement) to Licensor a worldwide, exclusive, royalty-free, transferable, perpetual license, with the right to sublicense, under the Licensee Technology to offer for sale, sell, make, have made, use, and import Licensed Products in the Field in the Group B Countries. For this purpose, the "Licensee Technology" means Licensee's patents, know-how (including all clinical and research data), and other intellectual property used by Licensee in the research, development, manufacture, and commercialization of the Licensed Product. <To effectuate such license, upon such termination of this Agreement, Licensee will promptly disclose to Licensor all Licensee Technology not already known to Licensor.

(b) Licensee shall assign to Licensor all of Licensee's right, title, and interest in trademarks used by Licensee on the Licensed Products (but excluding any house marks of Licensee). Licensee shall assign or sublicense to Licensor, to the extent possible and as requested by Licensor, Licensee's rights and obligations under any third party licenses entered into with respect to the Licensed Products. Licensee shall transfer to Licensor ownership of any new drug applications or regulatory approvals in the Group C Countries then in Licensee's name related to Licensed Products and notify the appropriate regulatory authorities and take any other action reasonably nec essary to effect such transfer of ownership. If ownership of an new drug application or regulatory approval cannot be transferred to Licensor in any country, Licensee hereby grants (effective only upon any such termination of this Agreement) to Licensor a permanent, exclusive (even as to Licensee) and irrevocable right of access and reference to such new drug applications and regulatory approvals for Licensed Products in such country in the Field.

(c) Licensee shall provide Licensor with samples of the Licensed Product, if not already in Licensor's possession.

(d) If Licensee has begun manufacture of clinical or commercial supplies of the Licensed Product, then at Licensor's request, Licensee shall continue to manufacture and supply Licensor with such clinical or commercial supplies, as applicable, at Licensee's Fully-Burdened Cost plus [****], for one year after termination for clinical supplies and for two years after termination for commercial supplies. If the clinical or commercial supplies are being manufactured by a third party under contract, to the extent permitted by the terms of such contract, Licensee shall assign such contracts to Licensor.

11.7 Survival. Articles 1, 4 (with respect to any outstanding payment obligation and an obligation to provide a final report), 7, 9, 11, 12, and 13, and Sections 2.3.5, 2.4, 2.5.1, 2.5.3, 2.8, 4.8, and 10.3 shall survive expiration or termination of this Agreement for any reason.

ARTICLE 12.
ARBITRATION

12.1 Procedure. The Parties shall make diligent and reasonable efforts to amicably settle all disputes, controversies, or differences that may arise between the Parties hereto out of or in relation to or in connection with this Agreement. Upon the occurrence of a dispute between the Parties, including any breach of this Agreement or any obligation relating thereto, the matter shall be referred to the chief executive officers of Licensor and Licensee, or their designees. The chief executive officers, or their designees, as the case may be, shall negotiate in good faith to resolve such dispute in a mutually satisfactory manner for a period of ten days, or such longer period of time to which the chief executive officers may agree. If such efforts do not result in a mutually satisfactory resolution, the dispute shall be finally settled by arbitration, held in Orange County, California, USA.

12.2 Choice of Arbitrators and Governing Rules.

(a) Any arbitration conducted pursuant to this Article 12 shall be in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") in effect on the date of commencement of the arbitration, subject to the provisions of this Article 12.

(b) In its demand for arbitration, the Party initiating the arbitration shall provide a statement setting forth the nature of the dispute, the names and addresses of all other parties, an estimate of the amount involved (if any), the remedy sought, otherwise specifying the issue to be resolved. The responding Party shall file its answering statement within 15 days after confirmation of the notice of filing of the demand is sent by the AAA.

(c) The Parties shall use reasonable efforts to mutually agree upon one arbitrator; provided, however, that, if the Parties have not done so within ten days after initiation of arbitration hereunder, or such longer period of time as the Parties have agreed to in writing, then there shall be three arbitrators as follows (i) one neutral nominee of each of Licensor and Licensee, each to be selected within twenty days after confirmation of the notice of filing of the demand is sent by the AAA, and (ii) one neutral nominee to serve as chairman and to be selected by the first two nominees within 15 days from the date that Licensor's and Licensee's nominees are selected. If a Party fai ls to make the appointment of an arbitrator as provided in this Section 12.2(c), the AAA shall make the appointment. If the appointed arbitrators fail to appoint a chairperson within the time specified in this Section 12.2(c) and there is no agreed extension of time, the AAA may appoint the chairperson. Each arbitrator will by training, education, or experience have knowledge of the research, development, and commercialization of biological pharmaceutical products in the United States.

(d) The Parties shall use their reasonable efforts to conduct all dispute resolution procedures under this Agreement as expeditiously, efficiently, and cost-effectively as possible. The arbitrator(s) shall determine what discovery will be permitted, based on the principle of limiting the cost and time that the Parties must expend on discovery; provided the arbitrator(s) shall permit such discovery as it (they) deem necessary to achieve an equitable resolution of the dispute.

(e) The decision or award rendered by the arbitrator(s) shall be written, final, and non-appealable and may be entered in any court of competent jurisdiction.

(f) The costs of any arbitration, including administrative fees and fees of the arbitrator(s), shall be shared equally by the Parties, and each Party shall bear the cost of its own attorney and expert fees; provided that the arbitrator(s), in their discretion, will have the authority to award the prevailing Party reasonable attorneys' fees and costs in amounts fixed by the arbitrator(s). The arbitrator(s) will have the authority to grant specific performance. The arbitrator(s) will have no authority to award damages in contravention of this Agreement, and each Party irrevocably waives any claim to such damages in contravention of this Agreement.

(g) Notwithstanding anything herein to the contrary, nothing in this Agreement shall restrict either Party at any time from seeking equitable relief to prevent irreparable harm that may be caused by the other Party's actual or threatened breach of this Agreement.

ARTICLE 13.
GENERAL

13.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflicts of laws. Each Party hereby submits itself for the purpose of this Agreement and, subject to Article 12, any controversy arising hereunder to the exclusive jurisdiction of the state and federal courts located in the Central District of California, and any courts of appeal therefrom, and waives any objection on the grounds of lack of jurisdiction (including venue) to the exercise of such jurisdiction over it by any such courts.

13.2 Independent Contractors. The relationship of the Parties hereto is that of independent contractors. The Parties hereto are not deemed to be agents, partners, or joint ventures of the other for any purpose as a result of this Agreement or the transactions contemplated thereby.

13.3 Assignment. Except as expressly set forth herein, this Agreement shall not be assignable by Licensee without Licensor's prior written consent, which shall not be unreasonably withheld. If Licensor consents to any such assignment, the assignee must agree in writing to assume all obligations, and acknowledge all of Licensor's rights, under this Agreement. This Agreement is assignable by Licensor. This Agreement shall be binding upon and inure to the benefit of the Parties and their successors and assigns.

13.4 Notices. Any notices required or permitted to be given under this Agreement shall be deemed given if delivered to the Party to be notified at its address shown below or at such other address as may be furnished from time to time by such Party to the other Party in writing. Each notice shall be given (a) by registered air mail, postage prepaid, which notice shall be effective when received, (b) by hand delivery or in person, which notice shall be effective when received, (c) by telefax (with proof of transmission and confirmation by first-class mail postage paid), which notice shall be effective when sent, or (d) by overnight courier, which notice shall be effective on the Business Day immediately following the date of delivery to the courier.

If to Licensor:

Peregrine Pharmaceuticals, Inc.
14282 Franklin Avenue
Tustin, California 92780-7071
Attention: Chief Executive Officer
Telephone: 714-508-6000
Facsimile: 714-838-5817

With a copy (which shall not constitute notice) to:

Jones Day
222 East 41st Street
New York, NY 10017-6702
U.S.A.
Attention: Ann L. Gisolfi, Esq.
Telephone: (212) 326-3495
Facsimile: (212) 755-7306

If to Licensee:

Stason Pharmaceuticals, Inc.
11 Morgan
Irvine, California 92618-4327
Attention: Chief Executive Officer
Telephone: (949) 380-4327
Facsimile: (949) 380-4345

13.5 Force Majeure. Neither Party shall lose any rights hereunder or be liable to the other Party for damages or losses (except for payment obligations) on account of failure of performance by the defaulting Party, if the failure is occasioned by war, strike, fire, Act of God, earthquake, flood, lockout, embargo, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the reasonable control and not caused by the negligence, intentional conduct, or misconduct of the nonperforming Party and the nonperforming Party has exerted all reasonable efforts to avoid or reme dy such force majeure; provided, however, that in no event shall a Party be required to settle any labor dispute or disturbance. Each Party shall (a) promptly notify the other Party in writing of any such event of force majeure, the expected duration thereof, and its anticipated effect on the ability of such Party to perform its obligations hereunder, and (b) make reasonable efforts to remedy any such event of force majeure. If a suspension of performance pursuant to a force majeure event continues for 180 days, and such failure to perform would constitute a material breach of this Agreement in the absence of such force majeure event, the non-affected Party may terminate this Agreement immediately by written notice to the affected Party.

13.6 Compliance with Laws. Licensee shall comply with and shall ensure that Sublicensees comply with all government statutes and regulations that relate to Licensed Products, including Food and Drug Administration statues and regulations and the Export Administration Act of 1979, as amended, codified in 50 App. U.S.C. § 2041 et seq., and the regulations promulgated thereunder or any other applicable export statute or regulation.

13.7 Further Assurances. At any time or from time to time on and after the date of this Agreement, each Party shall at the written request of the other Party (i) deliver to the other Party such records, data, or other documents consistent with the provisions of this Agreement, (ii) execute, and deliver or cause to be delivered, all such consents, documents, or further instruments of transfer or license, and (iii) take or cause to be taken all such actions, as the other Party may reasonably deem necessary or desirable in order for the other Party to obtain the full benefits of this Agreement and the transactions contemplated her eby.

13.8 Severability. If any provision hereof should be held invalid, illegal, or unenforceable in any respect in any jurisdiction, the Parties hereto shall substitute, by mutual consent, valid provisions for such invalid, illegal, or unenforceable provisions, which valid provisions in their economic effect are sufficiently similar to the invalid, illegal, or unenforceable provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such valid provisions. In case such valid provisions cannot be agreed upon, the invalid, illegal, or unenforceable of one or several provisions o f this Agreement shall not affect the validity of this Agreement as a whole, unless the invalid, illegal, or unenforceable provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without the invalid, illegal, or unenforceable provisions.

13.9 Waiver. The failure of a Party to enforce any provision of the Agreement shall not be construed to be a waiver of the right of such Party to thereafter enforce that provision or any other provision or right.

13.10 Entire Agreement; Amendment. This Agreement, together with the Assignment Agreement, sets forth the entire agreement and understanding of the Parties with respect to the subject matter hereof and supersedes all prior discussions, agreements, and writings relating thereto. This Agreement may not be altered, amended, or modified in any way except by a writing signed by both Parties.

13.11 Equitable Relief. Each Party acknowledges that a breach by it of the provisions of this Agreement may not reasonably or adequately be compensated in damages in an action at law and that such a breach may cause the other Party irreparable injury and damage. By reason thereof, each Party agrees that the other Party is entitled to seek, in addition to any other remedies it may have under this Agreement or otherwise, preliminary and permanent injunctive and other equitable relief to prevent or curtail any breach of this Agreement by the other Party; provided, however, that no specification in this Agreement of a specific legal or equitable remedy will be con strued as a waiver or prohibition against the pursuing of other legal or equitable remedies in the event of such a breach.

13.12 Interpretation. Except as otherwise explicitly specified to the contrary, (a) references to a Section, Article, Exhibit or Schedule means a Section or Article of, or Schedule or Exhibit to this Agreement, unless another agreement is specified, (b) the word "including" will be construed as "including without limitation," (c) references to a particular statute or regulation include all rules and regulations thereunder and any predecessor or successor statute, rules or regulations, in each case, as amended or otherwise modified from time to time, (d) words in the singular or plural form include the plural and singular form, respectively, (e) words of any gender include each other gender, (f) "or" is disjunctive but not necessarily exclusive, (g) the word "will" shall be construed to have the same meaning and effect as the word "shall," (h) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and (i) references to a particular person include such person's successors and assigns to the extent not prohibited by this Agreement. This Agreement has been prepared jointly and shall not be strictly construed against either Party. 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. The headings of each Article and Section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular Art icle or Section.

13.13 Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original and which together shall constitute one instrument.

IN WITNESS WHEREOF, Licensor and Licensee have caused this License Agreement to be executed by their respective duly authorized representatives.

PEREGRINE PHARMACEUTICALS, INC. ("Licensor")	**STASON PHARMACEUTICALS, INC.** ("Licensee")
By: /s/ Steven King	By: /s/ Harry T. Fan
Name: Steven King	Name: Harry T. Fan
Title: President and CEO	Title: CEO

Exhibit A

NHS76 Licensed Patents

1. Hong Kong Patent No. 1086598, Issued on October 30, 2009, based upon Hong Kong Application No. 06108478.8, entitled “Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof” (Peregrine file references CAT1 0409(GB)EPD1HK).

2. Japan Patent Application No. 2000-558212, entitled “Specific binding proteins including antibodies which bind to the necrotic centre of tumours, and uses thereof” (Peregrine file references CAT1 9905(GB)JP).

Exhibit B

Radiolabeling Licensed Patents

1. Chinese Patent No. ZL 200480017742.X, Issued on March 25, 2009, based upon Chinese Application No. 200480017742.X, entitled “Method and Apparatus for Continuous Large-Scale Radiolabeling of Proteins” (Peregrine file references 4015.000512, PPHM.04RADIOL:02CN01J); and

2. Hong Kong Patent No. 1087417, Issued on October 24, 2008, based upon Hong Kong Application No. 06109573.0, entitled “Method and Apparatus for Continuous Large-Scale Radiolabeling of Proteins” (Peregrine file references 4015.000565, PPHM.04RADIOL:02E1HKJ).

Exhibit C

Press Release

Schedule 1.18

NHS76 Antibody Amino Acid Sequence

[****]

[****]The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

Schedule 1.19

NHS76 Licensed Know-How

1. Information directly relating to the NHS76 cell line
2. Research (5L) scale manufacturing procedures and other NHS76 related SOP's
3. Biological materials in the form of existing NHS76 cell line

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this "Agreement") is made and entered into as of this 3rd day of May 2010 ("Effective Date") by and between Peregrine Pharmaceuticals, Inc., organized under the laws of Delaware, having its principal place of business at 14282 Franklin Avenue, Tustin, CA 92780 ("Seller"), and Stason Pharmaceuticals, Inc., organized under the laws of California, having its principal place of business at 11 Morgan, Irvine, California 92618-4327 ("Purchaser"). Seller and Purchaser may each be referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, concurrently herewith, the Parties are entering into that certain License Agreement dated May 3, 2010 (the "License Agreement"), whereby Purchaser is licensing from Seller certain radiolabeling and NHS76 intellectual property rights; and

WHEREAS, Purchaser desires to purchase and Seller desires to sell to Purchaser, in accordance with the terms of this Agreement but subject to certain pre-existing rights as described herein, certain intellectual property, including patent rights, in certain countries that corresponds to the intellectual property used by Seller in connection with Seller's Cotara® product;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

ARTICLE 1.
DEFINITIONS

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

1.1 "Affiliate" means, with respect to a subject entity, another entity that, directly or indirectly, controls, is controlled by, or is under common control with such subject entity, for so long as such control exists. For purposes of this definition only, "control" means ownership, directly or indirectly, of at least 50% of the equity securities of the entity entitled to vote in the election of directors (or, in the case of an entity that is not a corporation, in the election of the corresponding managing authority, or in the case of a partnership, the status as a general partner), or, if no t meeting the preceding, the maximum voting right that may be held under the laws of the country where such entity exists, or any other arrangement whereby an entity controls or has the right to control the board of directors or equivalent governing body or management of a corporation or other entity.

1.2 "cGMP" means current Good Manufacturing Practices as defined under the rules and regulations of the United States Food and Drug Administration, as the same may be amended from time to time.

1.3 "chTNT-1 Antibody" means the chimeric tumor necrosis therapy (TNT) antibody having the amino acid sequence set forth on Schedule 1.3.

1.4 "chTNT-1/b Antibody" means chTNT-1 Antibody that is biotinylated.

1.5 "chTNT-3 Antibody" means the chimeric TNT antibody having the amino acid sequence set forth on Schedule 1.5.

1.6 "chTNT-3 Cell Line" means that certain proprietary NS0 cell line of Seller that produces the chTNT-3 Antibody, as such cell line is in Seller's possession as of the Effective Date.

1.7 "Field" means the treatment and palliation of cancer.

1.8 "Fully-Burdened Cost" means all direct costs (including all direct material, labor, and services costs) plus an allocated portion of overhead and general and administrative costs.

1.9 "Group A Countries" means the United States of America, Canada, Mexico, member countries of the European Union, Switzerland, Norway, South Africa, Israel, India, Australia, and New Zealand.

1.10 "Group B Countries" means the member nations of the Asia Pacific Economic Cooperation (APEC), but excluding those APEC countries included in the Group A Countries.

1.11 "Group C Countries" means all countries of the world other than those countries included in the Group A Countries or the Group B Countries.

1.12 "India Phase 2 Trial" means the phase 2 clinical trial with respect to the chTNT-1/b Antibody being conducted by or on behalf of Seller in India under clinical trial number PPHM-0503.

1.13 "LC-13 chTNT-1/b Antibody" means the chTNT-1 Antibody that is produced in the LC-13 chTNT-1 Cell Line and that is biotinylated.

1.14 "LC-13 chTNT-1 Cell Line" means that certain proprietary NS0 cell line of Seller designated as LC-13 that produces the chTNT-1 Antibody, as such cell line is in Seller's possession as of the Effective Date.

1.15 "Licensing Revenue" means any amounts (other than royalties on Net Sales) received by Purchaser from the grant to any third party of any rights under the Purchased Assets by Purchaser, its Affiliates, or licensees (including any up front fees, milestone payments, and annual maintenance payments).

1.16 "Lonza" means, collectively, Lonza Biologics plc or its Affiliates.

1.17 "Lonza Technology" means any technology or intellectual property of Lonza, including Lonza's glutamine synthetase gene expression system technology.

1.18 "Materials" means biological materials in the form of the Original chTNT-1 Cell Line, the LC-13 chTNT-1 Cell Line, and the chTNT-3 Antibody Cell Line, in each case, that are in Seller's or its Affiliates' possession as of the Effective Date.

1.19 "Net Sales" means the aggregate gross invoice price of Purchaser, its Affiliates, or licensees for the marketing and sale of Products, less the following to the extent actually allowed or expressly allocated to the Products:

(a) rebates, credits and cash, trade and quantity discounts, actually taken;

(b) excise taxes, sales, use, value added, and other consumption taxes and other compulsory payments to governmental authorities, actually paid;

(c) the cost of shipping packages and packing, if billed separately;

(d) insurance costs and outbound transportation charges prepaid or allowed;

(e) import or export duties and tariffs actually paid; and

(f) amounts allowed or credited due to returns.

If a Product is invoiced for a discounted price substantially lower than customary in the trade, Net Sales shall be based on the customary amount received for such Products; provided that the foregoing shall not apply in the case of shipments made by Purchaser to third parties at no or low cost in connection with compassionate sales or indigent programs, for which no amounts shall be due to Seller.

Notwithstanding the foregoing, if a Product is sold in conjunction with another active component so as to be a combination product (whether packaged together or in the same therapeutic formulation) (a "Combination Product"), Net Sales shall be calculated by multiplying the Net Sales of the Combination Product by the fraction A/(A+B), where A is the gross invoice price of the Product if sold separately in a country and B is the gross invoice price of the other product(s) included in the Combination Product if sold separately in such country. If no such separate sales are made by Purchaser, its Affiliates, or licensees in a country, Net Sales of the Combination Product shall be calculated in a manner to be negotiated and agree d upon by the Parties, reasonably and in good faith, prior to any sale of such Combination Product, which shall be based upon the respective cost of goods sold of the active components of such Combination Product.

1.20 "New Research" means any research for any medical, therapeutic, or diagnostic application or use that is conducted by or on behalf of a Party in Territory after the Effective Date using the Purchased Assets or the Seller Retained IP.

1.21 "Original chTNT-1 Cell Line" means that certain proprietary NS0 cell line of Seller deposited with American Type Culture Collection (ATCC) under the safe deposit number SD-3528 that produces the chTNT-1 Antibody, as such cell line is in Seller's possession as of the Effective Date.

1.22 "Product" means a product that:

(a) is covered by or would infringe (but for the assignment of the Purchased Assets under this Agreement) one or more Valid Claims of the Purchased Patents in the country of manufacture, sale, offer for sale, use, or importation; or

(b) is produced, processed, or otherwise manufactured by a process or method within the scope of one or more Valid Claims of the Purchased Patents in the country of manufacture, sale, offer for sale, use, or importation;

(c) is used in a process or method within the scope of one or more Valid Claims of the Purchased Patents; or

(d) uses, incorporates, or is based upon Purchased Know-How.

1.23 "Territory" means the Group A Countries, the Group B Countries, and the Group C Countries.

1.24 "US Phase 2 Trial" means the phase 2 clinical trial with respect to the chTNT-1/b Antibody being conducted by or on behalf of Seller in the United States under clinical trial number PPHM-0602.

1.25 "Valid Claim" means a claim of an issued and unexpired patent or a claim of a pending patent application that has not been held unpatentable, invalid, or unenforceable by a court or other government agency of competent jurisdiction and has not been admitted to be invalid or unenforceable through reissue, re-examination, disclaimer, or otherwise; provided, however, that, if any holding of invalidity, unenforceability or unpatentability is later reversed by a court or agency with overriding authority, the relevant claim shall be reinstated as a Valid Claim hereunder with respect to sales made after the date of such reversal .

1.26 The following terms have the meanings specified in the indicated Sections:

Term	Section
"AAA"	10.2.1
"Agreement"	Preamble
"Confidential Information"	9.2
"CTL License Agreement"	2.2.2
"CTL/Medipharm Agreements"	2.2.2
"CTL Settlement Agreement"	2.2.2
"Effective Date"	Preamble
"Indemnified Party"	8.3
"India Costs"	6.1
"License Agreement"	Recitals

"Lonza License Date"	4.5.1
"Medipharm Settlement Agreement"	2.2.2
"Merck"	2.3
"Merck License"	2.3
"Party" or "Parties"	Preamble
"Purchased Assets"	2.1
"Purchased Know-How"	2.1(c)(iii)
"Purchased Patents"	2.1(a)
"Purchaser"	Preamble
"Purchaser Indemnitees"	8.2
"Receiving Party"	6.3.1
"Researching Party"	6.3.1
"Seller"	Preamble
"Seller Indemnitees"	8.1
"Seller Retained IP"	2.3
"Third Party Liabilities"	8.1
"Upfront Fee"	3.1.1
"US Costs"	6.1

ARTICLE 2.
PURCHASE AND SALE

2.1 Purchased Assets. Upon the terms and subject to the conditions of this Agreement, Seller hereby sells, transfers, and assigns, and Purchaser hereby purchases all of Seller's right, title and interest in and to the following assets as existing as of the Effective Date (collectively, the "Purchased Assets"):

(a) the patents and patent applications listed on Schedule 2.1(a) (the "Purchased Patents");

(b) solely for use in the Group B countries, subject to Section 4.5 below, Materials in the amounts described in Section 4.5 below;

(c) solely for use in the Group B countries, the following non-patented proprietary technology and information that is Controlled by Seller as of the Effective Date to the extent for the chTNT-1 Antibody and chTNT-3 Antibody but excluding any Lonza Technology:

(i) manufacturing protocols in the form of batch records for the chTNT-1 Antibody and chTNT-3 Antibody and biotinylation protocols for the chTNT-1 Antibody, in each case, as set forth on Schedule 2.1(c)(1);

(ii) hard or electronic copies (as determined by Seller) of clinical data in the form of clinical study reports for completed trials as set forth on Schedule 2.1(c)(2); and

(iii) hard or electronic copies (as determined by Seller) of clinical protocols and the annual progress report for the 7344 IND submitted on or before the Effective Date as set forth on Schedule 2.1(c)(3) (collectively, the technology and information described in this Section 2.1(c), the "Purchased Know-How").

2.2 Assumed Liabilities.

2.2.1 Purchaser hereby assumes and shall perform and agrees to pay, perform, and discharge all liabilities and obligations resulting from or arising out of Purchaser's ownership, operation, or use of the Purchased Assets, or the actions or omissions of Purchaser, its Affiliates, agents, contractors, or subcontractors in connection therewith.

2.2.2 Purchaser acknowledges that Seller is a party to the following agreements (collectively, the "CTL/Medipharm Agreements"): (i) that certain Settlement Agreement and Mutual General Release among Seller, Cancer Therapeutics Laboratories, Alan Epstein, Clive Taylor, and Peisheng Hu, effective April 24, 2009, as amended (the "CTL Settlement Agreement"), (ii) that certain Settlement Agreement among Seller, Medibiotech, Inc., and Shanghai Medipharm Biotech Co., Ltd., dated April 17, 2009, as amended (the "Medipharm Settlement Agreement"), (iii) that certain License Agreement between Seller and Cancer Therapeutics, Inc., dated September 20, 1995, as amended (the "CTL License"), and (iv) that certain License Agreement between Licensor and Alan Epstein, dated September 20, 1995, as amended. Furthermore, Purchaser acknowledges that Seller attempted to terminate the CTL License by written notice to Cancer Therapeutics, Inc. dated December 15, 2006, which resulted in the litigation that ended in the CTL Settlement Agreement and the Medipharm Settlement Agreement. Seller makes no representations or warranties as to the status of any of the CTL/Medipharm Agreements or the obligations thereunder, including whether the termination notice sent under the CTL License was effective. Purchaser acknowledges and a grees to abide by all obligations of Seller under the CTL/Medipharm Agreements to the extent applicable to the Purchased Assets, including the prohibition in the Medipharm Settlement Agreement on selling radiolabelled TNT Products (as defined by the Medipharm Settlement Agreement) within the PRC (as defined in the Medipharm Settlement Agreement) until December 31, 2016. Purchaser acknowledges and agrees that it shall have no right to give the 30-day termination notice under the Medipharm Settlement Agreement with respect to such obligation and that Seller shall be under no obligation to provide such notice. Purchaser agrees to indemnify Seller for any failure to abide by the CTL/Medipharm Agreements or any breach of this Section 2.2.2. Purchaser acknowledges and agrees that Seller is not responsible for the activities of any of the parties to the CTL/Medipharm Agreements and Seller shall not indemnify Purchaser for any such parties' activities in the Group B Countries.& #160; In the event of any conflict between this Agreement and the CTL/Medipharm Agreements, the CTL/Medipharm Agreements shall control.

2.3 Excluded Assets. Seller is not selling to Purchaser, and Purchaser is not acquiring from Seller, any assets that are not expressly included under Section 2.2 above. Without limiting the foregoing and notwithstanding anything herein to the contrary, Purchaser is not acquiring any rights to (a) that certain License Agreement between Merck KGaA ("Merck") and Seller, dated October 14, 2000, as amended from time to time (the "Merck License"); (b) any trad emarks of Seller, including the Cotara® mark; (c) any Lonza Technology; (d) the Licensed Technology (as defined in the License Agreement), any rights to which shall be granted and governed solely by the License Agreement; (e) any technology or information developed, acquired, or otherwise controlled by Seller after the Effective Date; or (f) (i) any patent or patent applications in the Group A Countries or Group C Countries that are counterparts of the Purchased Patents, correspond to the Purchased Patents, or cover or claim the same invention(s) as those covered or claimed in the Purchased Patents and (ii) any non-patented proprietary technology and information in the Group A Countries or Group C Countries that are counterparts of the Purchased Know-How, correspond to the Purchased Know-How, or cover the same invention(s) as those covered in the Purchased Know-How (collectively, the items described in this Section 2.3(f), the "Seller Retai ned IP").

ARTICLE 3.
PURCHASE PRICE; ROYALTIES

3.1 Purchase Price. In consideration of the sale, transfer, and assignment of the Purchased Assets, Purchaser shall pay to Seller the following:

3.1.1 [*****] (the "Upfront Fee"), to be paid as follows:

(a) [*****] upon the Effective Date,

(b) [*****] by June 1st 2010,

(c) [*****] by July 1st 2010,

(d) [*****] upon the 8th month anniversary of the Effective Date,

(e) [*****] upon the 16th month anniversary of the Effective Date, and

(f) [*****] upon the 24th month anniversary of the Effective Date;

3.1.2 annual fees as follows:

(a) [*****] on the 1st anniversary of the Effective Date;

(b) [*****] on the 2nd anniversary of the Effective Date;

(c) [*****] on the 3rd anniversary of the Effective Date;

[*****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

(d) [*****] on the 4th anniversary date of the Effective Date and each anniversary date of the Effective Date thereafter until 15 years after the first commercial sale by Purchaser of the first Product.

3.1.3 All of the fees described in this Section 3.1 shall be nonrefundable. However, if the first commercial sale occurs no later than the 5th anniversary of the Effective Date, then the annual fees described in Section 3.1.2(d) above shall be creditable against any royalties due under Section 3.2.1 or 3.2.2(a) below.

3.1.4 Notwithstanding anything to the contrary in this Agreement, if Purchaser does not make the third Upfront Fee payment under Section 3.1.1(c), above, by July 31, 2010, this Agreement shall automatically terminate. In this case, Purchaser agrees to assign back all rights, including all Purchased Assets, assigned by Seller to Purchaser under this Agreement and return all materials and information delivered by Seller to Purchaser under this Agreement.

3.2 Royalties; Licensing.

3.2.1 Royalties. On a country-by-country, Product-by-Product basis, Purchaser shall pay to Seller royalties equal to [*****] of Net Sales of Purchaser or its Affiliates in the Group B Countries.

3.2.2 License Fees and Royalties. Purchaser shall pay to Seller the following amounts in connection with any licenses by Purchaser of the rights granted hereunder:

(a) On a country-by-country, Product-by-Product basis, royalties equal to the greater of (i) [*****] of Net Sales of the applicable licensee in the Group B Countries and (ii) [*****] of the royalties paid by such licensee to Purchaser on the Net Sales of such licensee in the Group B Countries; and

(b) [*****] of any Licensing Revenues.

3.2.3 Royalty & Payment Term. The obligation of Purchaser to make payments under Sections 3.1 and 3.2 shall continue, on a Product-by-Product and country-by-country basis, until the 15th anniversary of the first commercial sale of such Product in such country.

3.2.4 Reports and Payments. After the first commercial sale of a Product by Purchaser, any of its Affiliates, or any of its licensees, Purchaser shall make quarterly written reports to Seller within 30 days after the end of each calendar quarter, stating in each such report with respect to such calendar quarter (a) the number of Products manufactured and sold, segregating Purchaser's and its Affiliates' sales and sales by each licensee; (b) gross amounts billed for Products sold on a country-by-country basis, segregating Purchaser's and its Affiliates' sales and sales by each licensee; (c) deductions app licable to Net Sales; (d) the royalties paid by any licensee to Purchaser on the Net Sales of such licensee; (e) total royalties due; (f) the amount of any Licensing Revenues received; and (g) total amount due to Purchaser with respect to such Licensing Revenue. Simultaneously with the delivery of each such report, Purchaser shall pay to Seller the royalties and Licensing Revenue fees, if any, due to Seller for the period of such report. If no amounts are due, Purchaser shall so report.

[*****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

3.2.5 Payment Method. Unless otherwise specified by this Agreement or requested in writing by Seller, all amounts payable under this Agreement shall be made by check or wire drawn on a United States bank account and delivered to Seller at the address set forth in Section 11.4 or such other business address as Seller may designate in writing. All payments hereunder shall be made in U.S. dollars. Any failure by Purchaser to make a payment when due shall obligate Purchaser to pay Seller interest on the sum outstanding at a rate per annum equal to the prime rate as quoted in the Wall Street Journal, New York e dition, on the day such payment is due, plus a premium of 3%, calculated on the basis of a 365 day year, the interest period commencing on the due date and ending on the payment date. Interest shall be compounded and the interest rate shall be adjusted each month in arrears, such interest being also due and payable on the payment date.

3.2.6 Currency Conversion. If any currency conversion shall be required in connection with the calculation of payments hereunder, such conversion shall be made using the selling exchange rate for conversion of the foreign currency into U.S. dollars, quoted for current transactions reported in The Wall Street Journal, New York edition, for the last business day of the calendar quarter to which such payment pertains.

3.2.7 Taxes. All payments hereunder shall be made free and clear of and without deduction or deferment in respect of any demand, set-off, counterclaim, or other dispute, and so far as is legally possible, such payment shall be made free and clear of any taxes imposed by or under the authority of government or any public authority and in particular, but without limitation, where any sums due to be paid to Seller hereunder are subject to any withholding or similar tax, Purchaser shall pay such additional amount as shall be required to ensure that the net amount received by Seller hereunder shall equal the full amount that would h ave been due to Seller hereunder had no such tax been imposed or required by law to be withheld unless said tax is withheld for the benefit of Seller. Without prejudice to the foregoing, Seller agrees to provide reasonable assistance to Purchaser in order for Purchaser to take advantage of any applicable legal provision or any double taxation treaty with the object of paying the sums due to Seller without imposing or withholding any tax.

3.2.8 Inspection of Books and Records. Purchaser shall maintain accurate books and records that enable the calculation of royalties and other amounts payable hereunder to be verified. Purchaser shall retain the books and records for each quarterly period for three years after the submission of the corresponding report under Section 3.2.4 hereof. Upon 30 days' prior notice to Purchaser, Seller or its designee may have access to the books and records of Purchaser to conduct a review or audit once per calendar year, for the sole purpose of verifying the accuracy of Purchaser's payments and complia nce with this Agreement. Seller's failure to audit shall not be considered a waiver of any objection to the amounts paid by Purchaser. Such access shall be permitted during Purchaser's normal business hours during the term of this Agreement and for three years after the expiration or termination of this Agreement. Any such inspection or audit shall be at Seller's expense, except that, if the audit results show that for any calendar quarter examined there has been an underpayment by Purchaser of more than 5%, then Purchaser will pay for reasonable audit expenses incurred by Purchaser. In all cases, Purchaser shall pay to Seller any underpaid amounts promptly and with interest at the rate on the terms set forth in Section 3.2.5 above. Any overpayments by Purchaser revealed in such inspection and audit shall be refunded to Purchaser or credited to future payments owed by Purchaser hereunder, at Seller's election.

3.3 Transfer of Purchased Assets.

3.3.1 Purchaser shall not transfer any of the Purchased Assets without:

(a) if the transfer is prior to the expiration of all payment obligations under Sections 3.1 and 3.2 above, obtaining Seller's prior written consent, which shall not be unreasonably withheld; or if the transfer is after the expiration of all such payment obligations, providing Seller with 10 days' prior written notice of the proposed transfer; and

(b) requiring the transferee of the Purchased Assets to agree in writing (in a form reasonably acceptable to Seller) to the terms and conditions of this Agreement, including (i) assuming Purchaser's obligations under Sections 2.2.2, 3.1.2, 3.2, 4.4, and 4.5 and Articles 8 and 9, (ii) acknowledging Seller's rights under Section 4.1, and (iii) abiding by the territorial limitations applicable to the Purchased Assets.

Purchaser agrees that, notwithstanding the transfer of the Purchased Assets, the payment obligations under Section 3.1 shall remain the responsibility of Purchaser unless Seller otherwise agrees. Furthermore, promptly following the transfer, Purchaser shall provide Seller with a copy of the written agreement described in Section 3.3.1(b) above.

3.3.2 Without limiting the obligations under Section 3.3.1, if, within 18 months of the Effective Date, Purchaser or any Affiliate transfers all or substantially all of the Purchased Assets to a third party, in one or a series of transactions, the following will apply:

(a) All remaining payments of the Upfront Fee will accelerate and be due and payable within 5 days of the effective date of the sale of the Purchased Assets;

(b) Purchaser shall pay to Seller, within 5 days of the effective date of the sale of the Purchased Assets, an amount equal to [*****] of the amount by which the purchase price paid by the third party to Purchaser (or its Affiliate) for the Purchased Assets exceeds the Upfront Fee.

3.3.3 Without limiting the obligations under Section 3.3.1, if, after 18 months of the Effective Date, Purchaser or any Affiliate sells all or substantially all of the Purchased Assets to a third party, in one or a series of transactions, the following will apply:

(a) All remaining payments of the Upfront Fee will accelerate and be due and payable within 5 days of the effective date of the sale of the Purchased Assets;

(b) Purchaser shall pay to Seller, within 5 days of the effective date of the sale of the Purchased Assets, an amount equal to [*****] of the amount by which the purchase price paid by the third party to Purchaser (or its Affiliate) for the Purchased Assets exceeds the Upfront Fee.

[*****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

3.4 Transfer Taxes. Purchaser shall pay (a) all transfer and documentary taxes and fees imposed with respect to instruments of conveyance applicable to the transaction and (b) all sales, excise, and other transfer or similar taxes on the transfer of the Purchased Assets contemplated hereunder.

ARTICLE 4.
LICENSES; LIMITATIONS; OTHER OBLIGATIONS

4.1 License Grants.

4.1.1 Purchaser hereby grants Seller a non-exclusive, perpetual (except as provided in Section 4.2.1), transferable, fully paid-up, royalty-free license, with the right to grant sublicenses, in the Group B Countries to practice (a) the Purchased Assets; (b) all improvements to the Purchased Assets made by or for Purchaser, its Affiliates, or licensees, including any patents issued, or patent applications filed, with respect to such improvements; (c) all divisions, continuations, foreign-counterparts, patents of addition, and substitutions of, and all patents issuing on, any of any patents or patent applications within the Purchased Assets; and (d) all registrations, reissues, reexaminations, or extensi ons with respect to any of such patents described in clause (c); provided that Seller agrees not to exercise such license unless the condition described in Section 4.2.2 has been met.

4.1.2 Purchaser hereby grants Seller a non-exclusive, perpetual, transferable, fully paid up, royalty-free license, with the right to grant sublicenses, under the Purchased Assets to conduct research in the Group B Countries to develop products for the Group A Countries and Group C Countries; provided that such research shall not include clinical development.

4.1.3 Seller hereby grants Purchaser a non-exclusive, perpetual, transferable (but only with the transfer of all or substantially all the Purchased Assets in accordance with Section 3.3), fully paid up, royalty-free license, with the right to grant sublicenses (but only with the license of the Purchased Assets and only with the consent of Seller), license under the Seller Retained IP controlled by Seller as of the Effective Date to conduct research in the Group A Countries and Group C Countries to develop Products for the Group B Countries; provided that such research shall not include clinical development; provided further that such right shall not include the right to conduct research to develop anti body-cytokine fusion protein or any antibody and its DNA encoding sequence for use in the construction and expression of antibody-cytokine fusion proteins; and provided further that such right is subject to the rights granted to Merck, as described in Section 4.4 below.

4.2 Purchaser's Development.

4.2.1 If, on the 7th anniversary of the Effective Date, Purchaser has paid Seller $2 million in the aggregate in royalties under Sections 3.2.1 and 3.2.2(a), then the license in Section 4.1.1 above shall terminate.

4.2.2 If, on the 7th anniversary of the Effective Date, Purchaser has not paid Seller $2 million in the aggregate in royalties under Sections 3.2.1 and 3.2.2(a), then Seller may exercise the license granted in Section 4.1.1 above.

4.3 Right to Negotiate. If, on the 7th anniversary of the Effective Date, Purchaser has paid Seller $2 million in the aggregate in royalties under Sections 3.2.1 and 3.2.2(a), then Seller will negotiate in good faith with Purchaser regarding granting Purchaser a license under the Seller Retained IP for use in those countries included in the Group C Countries in which Seller is not already developing or commercializing products and has not already granted a license to a third party. If Purchaser desires to exercise this right with respect to such available countries, it must provide Seller with written not ice within three months of such 7th anniversary, and Seller shall negotiate with Purchaser for a period of 90 days with respect to such available countries.

4.4 Merck/Cytokine Fusion Proteins.

4.4.1 Purchaser acknowledges that the Merck License is not included within the Purchased Assets.

4.4.2 Purchaser hereby grants Seller a worldwide, exclusive, irrevocable, perpetual, transferable, fully-paid up, royalty-free license, with the right to grant sublicenses, under the Purchased Assets to make, use, sell, offer for sale, or import an antibody-cytokine fusion protein or any antibody and its DNA encoding sequence for use in the construction and expression of antibody-cytokine fusion proteins.

4.4.3 Furthermore, in addition to the license in Section 4.4.2, Purchaser hereby grants Seller an irrevocable, transferable, fully paid-up, royalty-free license, with right to sublicense to Merck, under the Purchased Assets to the extent of any and all rights licensed by Seller to Merck under the Merck License or needed for Seller to perform its obligations under the Merck License (including rights with respect to manufacture, patent prosecution, and patent enforcement). The license to Seller described in this Section 4.4.3 (a) will survive for the term of the Merck License; (b) will be exclusive (even as to Purchaser) to the extent necessary to grant exclusive rights to Merck under the Merc k License; (c) will be applicable without regard to any other rights granted to Seller or retained by Purchaser hereunder; and (d) will apply in the Group B Countries.

4.4.4 Purchaser agrees to abide by all exclusivity and non-competition obligations binding upon Seller under the Merck License with respect to the Purchased Assets and otherwise to not take any action that would cause Seller to be in breach of the Merck License.

4.4.5 Seller shall have no obligation to make any payments to Purchaser relating to the rights licensed to Seller for this purpose, including no obligation to share any payments made by Merck to Seller.

4.4.6 Purchaser agrees to diligently prosecute and maintain any patents or patent applications that are within the Purchased Assets and that are licensed to Merck under the Merck License. If Purchaser desires to cease prosecuting or maintaining any such patent or patent application, Purchaser shall provide Seller with at least 60 days' prior written notice, and Seller shall be entitled to assume title to such patent or patent application and assume prosecution and maintenance obligations. In addition, without limiting any other rights of Merck under the Merck License, Purchaser acknowledges that Merck has certain rights to enforce the patents and patent applications licensed to Merck under the Merck License, and Purchaser will assist Seller in permitting Merck to exercise such rights.

4.4.7 In the event of any conflict between this Agreement and the Merck License, the Merck License shall control.

4.4.8 Purchaser agrees to indemnify Seller for any actions or inactions of Purchaser that cause Seller to breach the Merck License and for any other breach of this Section 4.4.

4.5 Materials.

4.5.1 Purchaser acknowledges and agrees that (a) notwithstanding anything herein to the contrary, Seller is not assigning or granting Purchaser any rights with respect to any Lonza Technology; (b) the Materials contain Lonza's gene expression system technology and, as such, Seller's transfer of the Materials to Purchaser under this Agreement requires Lonza's prior written consent, and Purchaser's use of the Materials requires a license from Lonza; and (c) upon Seller's transfer of the Materials to Purchaser, Purchaser's rights in the Materials shall be subject to the terms and conditions of this Agreement and to any rights of Lonza in its intelle ctual property or other rights contained in the Materials. Purchaser must procure a direct license from Lonza to use any necessary Lonza Technology required in connection with the Purchased Assets, which license must expressly grant Seller permission to provide the Materials to Purchaser. Purchaser shall provide to Seller a copy of such license from Lonza, which copy may be redacted so long as the redactions do not prevent Seller for confirming that it may provide the Materials to Purchaser (the date that Purchaser provides such copy to Seller, the "Lonza License Date"). If Purchaser is unable to obtain a license from Lonza or obtain Lonza's consent to the transfer of Materials from Seller to Purchaser, then (i) Seller shall not be required to provide the Materials to Purchaser (and Seller's failure to provide the Materials shall not be deemed a breach of this Agreement); (ii) the Materia ls shall no longer be deemed part of the Purchased Assets; and (iii) the other provisions of this Agreement shall not be affected by the foregoing.

4.5.2 As soon as practicable following the Lonza License Date, Seller shall provide to Purchaser 5 vials of working cell bank of the Original chTNT-1 Cell Line, 5 vials of research cell banks of the LC-13 chTNT-1 Cell Line, and 5 vials of working cell bank of the chTNT-3 Antibody Cell Line. Purchaser acknowledges and agrees that the Materials, together with any and all progeny, derivatives, and any genetically engineered modification thereof, may only be used with respect to activities in the Group B Countries and in accordance with the license procured from Lonza, as described in Section 4.5.1. Furthermore, Purchaser acknowledges that Seller is retaining Mate rials for Seller's own use outside the Group B Countries.

4.5.3 Purchaser shall retain control over the Materials, together with any and all progeny, derivatives, and any genetically engineered modification thereof, and shall not transfer any of the foregoing to any third party except in accordance with Section 3.3, including having the transferee abide by the provisions of this Agreement.

4.5.4 No right or license in or to the Materials or any patents or other intellectual property rights of Seller, other than to the Purchased Assets as expressly set forth herein, is granted or implied hereunder as a result of the transfer of the Materials.

4.5.5 Purchaser shall not obtain, and shall not attempt to obtain, patent coverage outside the Group B Countries on the Materials in the form provided by Seller without the express written consent of Seller.

4.5.6 Purchaser acknowledges that the Materials are not intended for use in humans. Seller is not making any warranty or representation that the use of the Materials or any product or process derived therefrom will not infringe any patent, copyright, or other rights of third parties.

4.5.7 Purchaser agrees to abide by its obligations under its license with Lonza with respect to the Materials, and Purchaser agrees to indemnify Seller for any failure to do so or for any breach of this Section 4.5.

4.6 Tech Transfer.

4.6.1 Following the receipt of payment by Seller of the up-front fee of Section 3.1.1 (c), Seller will deliver to Purchaser non-manufacturing information included within the Purchased Know-How by making such information available on an online data room for three months from the date it becomes available online.

4.6.2 Furthermore, upon Purchaser's written request, which must be made prior to the third anniversary of the Effective Date, Seller, through its Affiliate Avid Bioservices, will provide a technical transfer of all manufacturing technology included within the Purchased Know-How to Purchaser or Purchaser's third party manufacturer. All in-house and external expenses associated with such tech transfer shall be paid by Purchaser; provided that any expenses of Avid Bioservices shall be paid at Avid Bioservices' standard commercial rates.

4.6.3 All transfers of information will be made in the form that such Purchased Know-How currently exists, without any obligation to convert information into a different format than that used by Seller.

4.7 No Unauthorized Sales. Purchaser acknowledges and agrees that it has no right to, and shall not, and shall not grant any right or license to any of its Affiliates or third parties, directly or indirectly, to make, use, sell, offer for sale, or import the Product, or otherwise use or practice the Purchased Assets, outside the Group B Countries, except for New Research purposes only. Purchaser shall prevent the manufacture, use, sale, offer for sale, and importation of the Product, and the use and practice of the Purchased Assets, outside the Group B Countries by Purchaser or any of its Affiliates and s hall use commercially reasonable efforts to prevent such manufacture, use, sale, offer for sale, and importation of the Product, or such use and practice of the Purchased Assets, outside the Group B Countries, including by not selling, offering for sale, or exporting the Product to any person if Purchaser or any of its Affiliates has actual knowledge or a reasonable belief that such person is making, using, selling, offering for sale, and importing (or intends to do) such Product outside the Group B Countries.

4.8 Trademarks. As indicated above, the Purchased Assets do not include any rights in any trademarks of Seller, including the Cotara® mark. Purchaser acknowledges that Seller retains the ownership of the entire right, title, and interest in and to Cotara® mark, and all goodwill associated with or attached thereto. Purchaser acknowledges and agrees that it shall not acquire and shall not claim any title to the Cotara® mark. Furthermore, Purchaser agrees that it will not (i) register in any country the Cotara® mark or any mark confusingly similar to the Cotara® thereof or (ii) use any term or phrase confusingly similar to, or deceptive or misleading with respect to, the Cotara®.

4.9 Further Assurances. Seller agrees to execute and deliver all such instruments, documents, and certificates as may be reasonably requested in writing by Purchaser that are necessary for the consummation of the transactions contemplated by this Agreement.

ARTICLE 5.
SUPPLY

5.1 Supply of chTNT-1/b Antibody. Upon Purchaser's written request, Seller agrees to supply (or cause to be supplied) for Purchaser the chTNT-1/b Antibody as follows:

5.1.1 Upon Purchaser's written request, Seller agrees to supply, free of charge, up to 100 mg of cGMP chTNT-1/b Antibody. Such chTNT-1/b Antibody will be delivered within a reasonable time following Purchaser's request if Seller has a readily available supply of such antibody; otherwise, Seller agrees to provide such chTNT-1/b Antibody within a reasonable time following Seller's next scheduled cGMP production run for chTNT-1/b Antibody; provided that Seller will provide such chTNT-1/b Antibody no later than 9 months after Purchaser's request.

5.1.2 Upon Purchaser's written request, Seller agrees to supply up to five 100-liter batches of cGMP chTNT-1/b Antibody at the following costs: (a) [*****]each for the first two batches; and (b) at Seller's Fully-Burdened Cost of each batch plus [*****] for each of the last three batches. Following Purchaser's request, Seller will schedule a cGMP product run for the chTNT-1/b Antibody in Seller's next available slot in Seller's 100L bioreactor for producing such antibody.

5.1.3 All requests for chTNT-1/b Antibody under this Section 5.1 must be submitted by Purchaser in writing no later than the second anniversary of the Effective Date, and Seller shall supply such antibody no later than the third anniversary.

5.2 Supply of LC-13 chTNT-1/b Antibody. Upon Purchaser's written request, Seller agrees to supply (or cause to be supplied) for Purchaser the LC-13 chTNT-1/b Antibody as follows:

5.2.1 Subject to Section 5.2.3 below, upon Purchaser's written request, Seller agrees to supply, free of charge, up to 100 mg of cGMP LC-13 chTNT-1/b Antibody. Such LC-13 chTNT-1/b Antibody will be delivered within a reasonable time following Purchaser's request if Seller has a readily available supply of such antibody; otherwise, Seller agrees to provide such LC-13 chTNT-1/b Antibody within a reasonable time following Seller's next scheduled cGMP production run for LC-13 chTNT-1/b Antibody; provided that Seller will provide such LC-13 chTNT-1/b Antibody no later than 9 months after Purchaser's request.

[*****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

5.2.2 Subject to Section 5.2.3 below, upon Purchaser's written request, Seller agrees to supply up to five 100-liter batches of cGMP LC-13 chTNT-1/b Antibody at Seller's Fully-Burdened Cost of each batch plus [*****]. Following Purchaser's request, Seller will schedule a cGMP product run for the LC-13 chTNT-1/b Antibody in Seller's next available slot in Seller's 100L bioreactor for producing such antibody.

5.2.3 Notwithstanding Sections 5.2.1 and 5.2.2 above, if, at the time of Purchaser's request for supply, Seller has not developed a process to manufacture LC-13 chTNT-1/b Antibody under cGMP, then the following will apply:

(a) The LC-13 chTNT-1/b Antibody to be supplied under such sections shall be up to 5L batches of research grade antibody, not cGMP, unless Purchaser pays for Seller's development of the cGMP manufacturing process or provides such a process to Seller as described in Section 5.2.3(b) below. If Purchaser does pay for such development or provides such process, the time periods for supplying the LC-13 chTNT-1/b Antibody under Section 5.2.1 and 5.2.2 shall begin, not upon Purchaser's written request, but following successful implementation by Seller of the cGMP process.

(b) Upon Purchaser's written request, Seller agrees to develop the process to manufacture LC-13 chTNT-1/b Antibody under cGMP, and Purchaser will pay Seller for such development at Seller's Fully-Burdened Cost plus [*****], which Fully-Burdened Cost is not expected to exceed [*****]. Alternatively, Purchaser may develop its own process, at its own cost, and provide such process to Seller and Purchaser will pay Seller for all costs associated with process development work associated with scaling up the process at Seller's Fully-Burdened Cost plus < font style="DISPLAY: inline; BACKGROUND-COLOR: #d9d9d9">[*****]. All right, title, and interest in any intellectual property developed by Seller in connection with developing the manufacturing process as described in this Section 5.2.3(b) shall be solely owned by Seller; provided that such intellectual property shall be deemed part of the "NHS76 Licensed Technology" under the License Agreement.

5.2.4 All requests for LC-13 chTNT-1/b Antibody under this Section 5.2 must be submitted by Purchaser in writing no later than the third anniversary of the Effective Date, and Seller shall supply such antibody no later than the fourth anniversary. All requests for Seller to develop a cGMP process or to use Purchaser's cGMP process under Section 5.2.3(b) must be submitted by Purchaser in writing no later than 18 months after the Effective Date.

ARTICLE 6.
CLINICAL DEVELOPMENT; RESEARCH

6.1 Initial Clinical Development. Seller is currently conducting the India Phase 2 Trial and the US Phase 2 Trial. Seller estimates that the internal and external costs to be incurred following the Effective Date to complete the India Phase 2 Trial (the "India Costs") and the US Phase 2 Trial (the "US Costs") will be approximately [*****]in the aggregate. The Parties agree as foll ows:

[*****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

6.1.1 To support Seller's clinical trials, upon Seller's request, Purchaser may provide nonfinancial support, at no cost to Seller, including (a) providing Seller with access to Purchaser's regulatory and technical personnel and all of Purchaser's clinical data from the Group B Countries and (b) assisting Seller in Seller's pivotal study, such as clinical monitoring assistance or assistance in drafting protocols.

6.1.2 Seller agrees to negotiate with Purchaser regarding sharing of clinical and regulatory data that is relevant for submission to applicable regulatory authorities in the Group B Countries , based on the type and amount of data that is generated in connection with the ongoing India and the US Phase 2 Trials. With respect to any such data shared, Seller hereby grants Purchaser a non-exclusive license to use such data solely for purposes of Purchaser obtaining regulatory approval for the Products in the Group B Countries in the Field. Purchaser acknowledges and agrees that it will only use such shared data in accordance with such license.

6.1.3 Seller agrees to provide to Purchaser clinical and regulatory data submitted for the IND for the current US Phase II trials that are relevant for submission to applicable regulatory authorities in the Group B Countries and that was generated prior to the present India and US Phase 2 trials. With respect to such data shared, Seller hereby grants Purchaser a non-exclusive license to use such data solely for purposes of Purchaser obtaining regulatory approval for the Products in the Group B Countries in the Field. Purchaser acknowledges and agrees that it will only use such shared data in accordance with such license.

6.2 Additional Clinical Development. Each Party agrees to consider sharing with the other Party additional clinical and regulatory data with respect to the chTNT-1 Antibody developed or obtained by the first Party under the same terms and conditions described in Section 6.1 above with respect to the India Phase 2 Trial and the US Phase 2 Trial. The foregoing shall not create an obligation of either Party to share data with the other Party, and the specific terms for any agreement to share data must be agreed upon by the Parties in writing, including the terms for compensation, data to be shared, and the s cope of the other Party's right to use the data. Either Party may notify the other if it desires to obtain clinical and regulatory data from the other or desires to share clinical and regulatory data with the other Party.

6.3 Right of First Negotiation for Research Results. From the Effective Date until the fifth anniversary of the Effective Date (the "Restricted Period"), each Party agrees to offer the other Party a right of first negotiation to acquire rights to research, develop, and commercialize products and methods under technology and intellectual property resulting from New Research in such other Party's portion of the Territory, meaning Group B Countries for Purchaser and the Group A Countries and Group C Countries for Seller. Such right of first negotiation shall be as follows:

6.3.1 During the Restricted Period, prior to offering any commercialization rights for New Research to any third party in the other Party's portion of the Territory, each Party (the "Researching Party") will provide the other Party (the "Receiving Party") with reports on any New Research, setting forth sufficient data and results obtained from any New Research to allow the Receiving Party to evaluate its interest in obtaining rights. All such reports will be deemed Confidential Information of the Researching Party providing the report . The Receiving Party is not granted any license to the report or any information or results contained therein. The Receiving Party may not use the results of the Researching Party's New Research without the Researching Party's explicit permission following the execution of a written agreement defining the terms and conditions of such use.

6.3.2 The Receiving Party will have 90 days (or such longer period agreed upon by the Parties) from receipt of such report to notify the Researching Party that the Receiving Party desires to initiate good faith negotiations with respect to licensing, in the Receiving Party's portion of the Territory, the New Research described in such report. Upon the Researching Party's receipt of such notice, the Parties will negotiate in good faith for a period of 90 days with respect to the terms and conditions of the license, including financial terms (such as upfront fees, milestones, annual fees, or other financial conditions); provided, however, the Parties agree that the terms of such li cense will include the obligation of the Receiving Party to pay to the Researching Party a royalty of [*****] of Net Sales of products covered by the license.

6.3.3 If the Receiving Party does not notify the Researching Party within 90 days of receiving a report or if the Parties are unable to agree upon the terms of a license within 90 days of the Researching Party's receipt of the Receiving Party's notice (as each such time period may be extended by the Parties), then the Researching Party shall be entitled to license the New Research covered by the applicable report to any third party.

6.3.4 Notwithstanding the foregoing, Purchaser acknowledges that Purchaser's rights of first negotiation under this Section 6.3 are subordinate to any rights of first negotiation or first refusal granted to Merck under the Merck License.

ARTICLE 7.
REPRESENTATIONS AND WARRANTIES OF THE PARTIES.

7.1 Mutual Representations and Warranties. Each Party hereby represents and warrants to each other Party that:

7.1.1 Such Party is a corporation duly formed, validly existing, and in good standing under the laws of the state or country of its incorporation.

7.1.2 The execution, delivery, and performance by such Party of this Agreement, and the consummation by such Party of the transactions contemplated hereby, are within such Party's corporate powers and have been duly authorized by all necessary corporate action on the part of such Party.

7.1.3 This Agreement is a legal and valid obligation binding upon such Party and is enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the rights of creditors generally and to equitable principles.

7.1.4 There is no action, suit, investigation, or proceeding pending or, to the knowledge of such Party, threatened against or affecting such Party before any governmental authority or arbitrator that in any manner challenges or seeks to prevent, enjoin, alter, or materially delay the transactions contemplated hereby or that could reasonably be expected to materially and adversely affect such Party's ability to perform its obligations under this Agreement.

[*****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

7.1.5 The execution, delivery, or performance of this Agreement by such Party and the consummation of the transactions contemplated herein do not and will not (i) violate any provision of the charter or bylaws of such Party; (ii) violate or conflict with any federal, state, or local law, statute, ordinance, rule, or regulation or any decree, writ, injunction, judgment, or order of any court or administrative or other governmental body or of any arbitration award that is either applicable to, binding upon, or enforceable against such Party; or (iii) require the consent, approval, or authorization of, or the registration, recording, filing, or qualification with, or notice to, or the taking of any other action in respect of, any governmental authority or any other person.

7.2 "As Is" Sale. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE 7, PURCHASER UNDERSTANDS AND AGREES THAT THE PURCHASED ASSETS ARE BEING ACQUIRED "AS IS, WHERE IS," THAT PURCHASER IS RELYING ON ITS OWN EXAMINATION OF THE PURCHASED ASSETS, AND THAT SELLER MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE PERFORMANCE OF THE PURCHASED ASSETS INCLUDING THEIR SAFETY, EFFECTIVENESS, OR COMMERCIAL VIABILITY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING AND EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS ARTICLE 7, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, TO THE OTHER PARTY WITH RESPECT TO ANY PURCHASED ASSETS, PRODUCTS, OR OTHER SUBJECT MATTER OF THIS AGREEMENT, AND EACH PARTY HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NONINFRINGEMENT WITH RESPECT TO ANY AND ALL OF THE FOREGOING.

7.3 LIMITATION OF LIABILITY. NEITHER PARTY HERETO SHALL BE LIABLE FOR INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES ARISING OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER, INCLUDING LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES. NOTHING IN THIS SECTION 7.3 IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF EITHER PARTY OR TO LIMIT A PARTY'S LIABILITY FOR BREACHES OF ITS OBLIGATION REGARDING CONFIDENTIALITY UNDER ARTICLE 9.

ARTICLE 8.
INDEMNIFICATION

8.1 Purchaser. Purchaser shall defend, indemnify, and hold harmless Seller, its Affiliates, and their respective directors, officers, employees, and agents (collectively, the "Seller Indemnitees") from and against any and all third party claims, suits, losses, liabilities, damages, costs, fees, and expenses (including attorneys' fees and expenses of litigation) (collectively, "Third Party Liabilities") to the extent arising out of or resulting from (a) any br each of, or inaccuracy in, any representation or warranty made by Purchaser in this Agreement, or any breach or violation of any covenant or agreement of Purchaser in or pursuant to this Agreement, including any failure to perform or discharge any assumed liabilities or any breach of the obligations of Section 2.2.2, 4.4, or 4.5; and (b) the negligence or willful misconduct of Purchaser, its Affiliates, or their respective directors, officers, employees, and agents. Purchaser shall have no obligation to indemnify the Seller Indemnitees to the extent that the Third Party Liabilities arise out of or result from, directly or indirectly, any breach of, or inaccuracy in, any representation or warranty made by Seller in this Agreement, or any breach or violation of any covenant or agreement of Seller in or pursuant to this Agreement, or the negligence or willful misconduct by or of any of the Seller Indemnitees.

8.2 Seller. Seller shall defend, indemnify, and hold harmless Purchaser, its Affiliates, and their respective directors, officers, employees, and agents (collectively, the "Purchaser Indemnitees") from and against any and all Third Party Liabilities to the extent arising out of or resulting from (a) any breach of, or inaccuracy in, any representation or warranty made by Seller in this Agreement, or any breach or violation of any covenant or agreement of Seller in or pursuant to this Agreement; and (b) the negligence or willful misconduct of Seller, its Affiliates, or their respective directors, officers, employees, and agents. Seller shall have no obligation to indemnify the Purchaser Indemnitees to the extent that the Third Party Liabilities arise out of or result from, directly or indirectly, any breach of, or inaccuracy in, any representation or warranty made by Purchaser in this Agreement, or any breach or violation of any covenant or agreement of Purchaser in or pursuant to this Agreement, or the negligence or willful misconduct by or of any of the Purchaser Indemnitees.

8.3 Indemnification Procedure. In the event of any such claim against any Purchaser Indemnitee or Seller Indemnitee (each an "Indemnified Party"), the Indemnified Party shall promptly notify the indemnifying Party in writing of the claim and the indemnifying Party shall manage and control, at its sole expense, the defense of the claim and its settlement. The indemnifying Party shall have the right to solely direct and control the defense and settlement of any such proceeding and, if it so elects, shall retain counsel reasonably s atisfactory to the Indemnified Party to represent the Indemnified Party and shall pay the fees and expenses of such counsel related to such proceeding. In any such proceeding, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless (i) the indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying Party and the Indemnified Party and representation of the parties by the same counsel would be inappropriate due to actual or potential differing interests between them. All such reimbursable fees and expenses shall be reimbursed as they are incurred. The indemnifying Party shall not be liable for any settlement of any proceeding initiated or pursued without its prior written consent, but, if settled with such consen t or if there be a final judgment for the plaintiff, the indemnifying Party shall indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The indemnifying Party shall not, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which the Indemnified Party is, or arising out of the same set of facts could have been, a party and indemnity could have been sought hereunder by the Indemnified Party, unless such settlement includes an unconditional release of the Indemnified Party from all liability on claims to which the indemnity relates that are the subject matter of such proceeding. The Indemnified Party shall cooperate with the indemnifying Party and may, at its option and expense, be represented in any such action or proceeding.

ARTICLE 9.
CONFIDENTIALITY

9.1 Territories. Purchaser acknowledges that the Purchased Assets being assigned hereunder are only for the Group B Countries and that Seller shall retain all rights with respect to all other countries of the Territory. Purchaser acknowledges that a public disclosure of the Materials, or any progeny, derivatives, or any genetically engineered modification thereof, or the Purchased Know-How could cause Seller irreparable harm with respect to its retained rights. Therefore, the Purchaser agrees to maintain the confidentiality of the Materials, and any and all progeny, derivatives, and any genetic ally engineered modification thereof, and the Purchased Know-How as though they were the Confidential Information of Seller; provided that the non-use prohibitions set forth in this Article 9 shall not apply to Purchaser's use of the Materials, or any progeny, derivatives, or any genetically engineered modification thereof, or Purchased Know-How in the Group B Countries.

9.2 Confidential Information. Except as expressly provided in this Agreement, neither Party shall use for its own benefit or the benefit of any third party except in connection with the activities contemplated by this Agreement, or disclose to any third party, any confidential, proprietary, or trade secret information (the "Confidential Information") received from the other Party hereto. The terms and conditions of this Agreement shall be deemed the Confidential Information of both Parties. The obligations of this Sect ion 9.2 shall continue until 15 years after the first commercial sale by Purchaser of the first Product in the Group B Countries; provided that (a) in the case of any Confidential Information that constitutes a "trade secret," such obligations shall continue for the longer of such 15-year period or for so long as such trade secret Confidential Information remains a trade secret; and (b) in the case of Confidential Information that consists of financial data, such obligations shall continue only for two years from the time of disclosure of such financial data to the receiving Party. Purchaser acknowledges and agrees that the protocols included within the Purchased Assets are trade secrets of Seller.

9.3 Permitted Disclosures. Notwithstanding Section 9.2 above, Confidential Information shall not include any of the following information that the receiving Party can demonstrate by competent evidence:

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

(b) was generally available to the public or otherwise part of the public domain at the time of 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 independently developed by the receiving Party without reference to any information or materials disclosed by the disclosing Party; or

(e) was subsequently disclosed to the receiving Party by a person other than the disclosing Party without breach of any legal obligation to the disclosing Party.

In addition, either Party may disclose Confidential Information of the other to:

(i) to such receiving Party's and its Affiliates' legal representatives, employees, consultants, and licensees (and potential licensees), to the extent such disclosure is reasonably necessary to exercise such receiving Party's rights hereunder, and provided (a) such legal representatives and employees are informed of the confidential nature of the Confidential Information and the restrictions on disclosure and use contained herein and (b) such consultants and licensees (and potential licensees) have agreed in writing to obligations of confidentiality with respect to such information no less stringent than those set forth herein;

(ii) if disclosure is compelled to be disclosed by a court order or applicable law or regulation (including the rules and regulations of the Securities and Exchange Commission or any national securities exchange), provided that the Party compelled to make such disclosure (a) requests confidential treatment of such information, (b) provides the other Party with sufficient advance notice of the compelled disclosure to provide adequate time to seek a protective order, and (b) discloses only the minimum necessary to comply with the requirement to disclose.

The receiving Party shall be responsible for all breaches of this Agreement by the receiving Party's and its Affiliates' legal representatives and employees.

9.4 Press Release; Disclosure of Agreement. The Parties agree that either Party may release the statement attached hereto as Exhibit A. Except for such release, each Party agrees that there shall be no public announcement of the execution of this Agreement without the prior written consent of the other Party. The text of any press release to be issued by either Party concerning this Agreement as well as the precise date and timing of the press release shall be agreed between the Parties in writing in advance, such agreement not to be unreasonably withheld or delayed. Notwithstanding the foregoing, this restriction shall not apply to announcements required by law or regulation (including the Securities and Exchange Commission or any other national securities exchange), except that, in such event, the Parties shall coordinate to the extent possible with respect to the details of any such announcement. This restriction shall not apply to disclosure of this Agreement to certain private third parties such as the shareholders of either Party, prospective acquirers, and sublicensees, investment bankers, attorneys, and other professional consultants, and prospective investors in either Party who have agreed in writing to obligations of confidentiality with respect to such information no less stringent than those set forth herein. Once a particular disclosure has been approved, further disclosures that do not differ materially therefrom may be made without obtaining any further consent of the other Party.

9.5 Publication. Purchaser shall not publicly present or publish results of studies carried out under the Purchased Assets (each such presentation or publication, a "Publication") without the opportunity for prior review by Seller. Purchaser shall provide Seller the opportunity to review any proposed Publication at least 30 days prior to the earlier of its presentation or intended submission for publication. Purchaser agrees, upon request by Seller, not to submit or present any Publication until Seller has had 30 days to comment on any material in such Publication. Purchaser shall consider the comments of Seller in good faith but will retain the sole authority to submit the manuscript for Publication; provided that Purchaser shall not have the right to publish or present Seller's Confidential Information without Seller's prior written consent. Purchaser shall provide Seller a copy of the Publication at the time of the submission or presentation.

9.6 Publicity. Neither Party shall use the name of the other Party in connection with any written publicity, news release, or other announcement or statement relating to this Agreement or to the performance hereunder or the existence of an arrangement between the Parties without prior written approval from such Party.

ARTICLE 10.
ARBITRATION

10.1 Procedure. The Parties shall make diligent and reasonable efforts to amicably settle all disputes, controversies, or differences that may arise between the Parties hereto out of or in relation to or in connection with this Agreement. Upon the occurrence of a dispute between the Parties, including any breach of this Agreement or any obligation relating thereto, the matter shall be referred to the chief executive officers of Seller and Purchaser, or their designees. The chief executive officers, or their designees, as the case may be, shall negotiate in good faith to resolve such dispute in a mutually s atisfactory manner for a period of ten days, or such longer period of time to which the chief executive officers may agree. If such efforts do not result in a mutually satisfactory resolution, the dispute shall be finally settled by arbitration, held in Orange County, California, USA.

10.2 Choice of Arbitrators and Governing Rules.

10.2.1 Any arbitration conducted pursuant to this Article 10 shall be in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") in effect on the date of commencement of the arbitration, subject to the provisions of this Article 10.

10.2.2 In its demand for arbitration, the Party initiating the arbitration shall provide a statement setting forth the nature of the dispute, the names and addresses of all other parties, an estimate of the amount involved (if any), the remedy sought, otherwise specifying the issue to be resolved. The responding Party shall file its answering statement within 15 days after confirmation of the notice of filing of the demand is sent by the AAA.

10.2.3 The Parties shall use reasonable efforts to mutually agree upon one arbitrator; provided, however, that, if the Parties have not done so within ten days after initiation of arbitration hereunder, or such longer period of time as the Parties have agreed to in writing, then there shall be three arbitrators as follows (i) one neutral nominee of each of Seller and Purchaser, each to be selected within twenty days after confirmation of the notice of filing of the demand is sent by the AAA, and (ii) one neutral nominee to serve as chairman and to be selected by the first two nominees within 15 days from the date that Seller's and Purchaser's nominees are selected. If a Party fai ls to make the appointment of an arbitrator as provided in this Section 10.2.3, the AAA shall make the appointment. If the appointed arbitrators fail to appoint a chairperson within the time specified in this Section 10.2.3 and there is no agreed extension of time, the AAA may appoint the chairperson. Each arbitrator will by training, education, or experience have knowledge of the research, development, and commercialization of biological pharmaceutical products in the United States.

10.2.4 The Parties shall use their reasonable efforts to conduct all dispute resolution procedures under this Agreement as expeditiously, efficiently, and cost-effectively as possible. The arbitrator(s) shall determine what discovery will be permitted, based on the principle of limiting the cost and time that the Parties must expend on discovery; provided the arbitrator(s) shall permit such discovery as it (they) deem necessary to achieve an equitable resolution of the dispute.

10.2.5 The decision or award rendered by the arbitrator(s) shall be written, final, and non-appealable and may be entered in any court of competent jurisdiction.

10.2.6 The costs of any arbitration, including administrative fees and fees of the arbitrator(s), shall be shared equally by the Parties, and each Party shall bear the cost of its own attorney and expert fees; provided that the arbitrator(s), in their discretion, will have the authority to award the prevailing Party reasonable attorneys' fees and costs in amounts fixed by the arbitrator(s). The arbitrator(s) will have the authority to grant specific performance. The arbitrator(s) will have no authority to award damages in contravention of this Agreement, and each Party irrevocably waives any claim to such damages in contravention of this Agreement.

10.2.7 Notwithstanding anything herein to the contrary, nothing in this Agreement shall restrict either Party at any time from seeking equitable relief to prevent irreparable harm that may be caused by the other Party's actual or threatened breach of this Agreement.

ARTICLE 11.
GENERAL

11.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflicts of laws. Each Party hereby submits itself for the purpose of this Agreement and, subject to Article 10, any controversy arising hereunder to the exclusive jurisdiction of the state and federal courts located in the Central District of California, and any courts of appeal therefrom, and waives any objection on the grounds of lack of jurisdiction (including venue) to the exercise of such jurisdiction over it by any such courts.

11.2 Independent Contractors. The relationship of the Parties hereto is that of independent contractors. The Parties hereto are not deemed to be agents, partners, or joint ventures of the other for any purpose as a result of this Agreement or the transactions contemplated thereby.

11.3 Assignment. Subject to the terms and conditions hereof, and without limiting anything herein to the contrary (including Section 3.3), this Agreement is assignable by either Party; provided that, with respect to any assignment by Purchaser, (a) Purchaser must provide Seller with prior written notice, and (b) require the assignee to agree in writing to the terms and conditions of this Agreement. This Agreement shall be binding upon and inure to the benefit of the Parties and their successors and assigns.

11.4 Notices. Any notices required or permitted to be given under this Agreement shall be deemed given if delivered to the Party to be notified at its address shown below or at such other address as may be furnished from time to time by such Party to the other Party in writing. Each notice shall be given (a) by registered air mail, postage prepaid, which notice shall be effective when received, (b) by hand delivery or in person, which notice shall be effective when received, (c) by telefax (with proof of transmission and confirmation by first-class mail postage paid), which notice shall be effective when sent, or (d) by overnight courier, which notice shall be effective on the Business Day immediately following the date of delivery to the courier.

If to Seller:

Peregrine Pharmaceuticals, Inc.
14282 Franklin Avenue
Tustin, California 92780-7071
Attention: Chief Executive Officer
Telephone: 714-508-6000
Facsimile: 714-838-5817

With a copy (which shall not constitute notice) to:

Jones Day
222 East 41st Street
New York, NY 10017-6702
U.S.A.
Attention: Ann L. Gisolfi, Esq.
Telephone: (212) 326-3495
Facsimile: (212) 755-7306

If to Purchaser:

Stason Pharmaceuticals, Inc.
11 Morgan
Irvine, California 92618-4327
Attention: Chief Executive Officer
Telephone: (949) 380-4327
Facsimile: (949) 380-4345

With a copy (which shall not constitute notice) to:

11.5 Force Majeure. Neither Party shall lose any rights hereunder or be liable to the other Party for damages or losses (except for payment obligations) on account of failure of performance by the defaulting Party, if the failure is occasioned by war, strike, fire, Act of God, earthquake, flood, lockout, embargo, governmental acts or orders or restrictions, failure of suppliers, or any other reason where failure to perform is beyond the reasonable control and not caused by the negligence, intentional conduct, or misconduct of the nonperforming Party and the nonperforming Party has exerted all reasonable efforts to avoid or reme dy such force majeure; provided, however, that in no event shall a Party be required to settle any labor dispute or disturbance. Each Party shall (a) promptly notify the other Party in writing of any such event of force majeure, the expected duration thereof, and its anticipated effect on the ability of such Party to perform its obligations hereunder, and (b) make reasonable efforts to remedy any such event of force majeure. If a suspension of performance pursuant to a force majeure event continues for 180 days, and such failure to perform would constitute a material breach of this Agreement in the absence of such force majeure event, the non-affected Party may terminate this Agreement immediately by written notice to the affected Party.

11.6 Further Assurances. At any time or from time to time on and after the date of this Agreement, each Party shall at the written request of the other Party (i) deliver to the other Party such records, data, or other documents consistent with the provisions of this Agreement, (ii) execute, and deliver or cause to be delivered, all such consents, documents, or further instruments of transfer or license, and (iii) take or cause to be taken all such actions, as the other Party may reasonably deem necessary or desirable in order for the other Party to obtain the full benefits of this Agreement and the transactions contemplated her eby.

11.7 Severability. If any provision hereof should be held invalid, illegal, or unenforceable in any respect in any jurisdiction, the Parties hereto shall substitute, by mutual consent, valid provisions for such invalid, illegal, or unenforceable provisions, which valid provisions in their economic effect are sufficiently similar to the invalid, illegal, or unenforceable provisions that it can be reasonably assumed that the Parties would have entered into this Agreement with such valid provisions. In case such valid provisions cannot be agreed upon, the invalid, illegal, or unenforceable of one or several provisions o f this Agreement shall not affect the validity of this Agreement as a whole, unless the invalid, illegal, or unenforceable provisions are of such essential importance to this Agreement that it is to be reasonably assumed that the Parties would not have entered into this Agreement without the invalid, illegal, or unenforceable provisions.

11.8 Waiver. The failure of a Party to enforce any provision of the Agreement shall not be construed to be a waiver of the right of such Party to thereafter enforce that provision or any other provision or right.

11.9 Entire Agreement; Amendment. This Agreement, together with the License Agreement, sets forth the entire agreement and understanding of the Parties with respect to the subject matter hereof and supersedes all prior discussions, agreements, and writings relating thereto. This Agreement may not be altered, amended, or modified in any way except by a writing signed by both Parties.

11.10 Equitable Relief. Each Party acknowledges that a breach by it of the provisions of this Agreement may not reasonably or adequately be compensated in damages in an action at law and that such a breach may cause the other Party irreparable injury and damage. By reason thereof, each Party agrees that the other Party is entitled to seek, in addition to any other remedies it may have under this Agreement or otherwise, preliminary and permanent injunctive and other equitable relief to prevent or curtail any breach of this Agreement by the other Party; provided, however, that no specification in this Agreement of a specific legal or equitable remedy will be con strued as a waiver or prohibition against the pursuing of other legal or equitable remedies in the event of such a breach.

11.11 Interpretation. Except as otherwise explicitly specified to the contrary, (a) references to a Section, Article, Exhibit or Schedule means a Section or Article of, or Schedule or Exhibit to this Agreement, unless another agreement is specified, (b) the word "including" will be construed as "including without limitation," (c) references to a particular statute or regulation include all rules and regulations thereunder and any predecessor or successor statute, rules or regulations, in each case, as amended or otherwise modified from time to time, (d) words in the singular or plural form include the plural and singular form, respectively, (e) wo rds of any gender include each other gender, (f) "or" is disjunctive but not necessarily exclusive, (g) the word "will" shall be construed to have the same meaning and effect as the word "shall," (h) whenever this Agreement refers to a number of days, such number shall refer to calendar days unless Business Days are specified, and (i) references to a particular person include such person's successors and assigns to the extent not prohibited by this Agreement. This Agreement has been prepared jointly and shall not be strictly construed against either Party. 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. The headings of each Article and Section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular Article o r Section.

11.12 Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original and which together shall constitute one instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Seller and Purchaser have caused this License Agreement to be executed by their respective duly authorized representatives.

PEREGRINE PHARMACEUTICALS, INC. ("Licensor")	**STASON PHARMACEUTICALS, INC.** ("Licensee")
By: /s/ Steven King	By: /s/ Harry T. Fan
Name: Steven King	Name: Harry T. Fan
Title: President and CEO	Title: CEO

Schedule 2.1(a)
Purchased Patents

1. Japan Patent No. 3549525, Issued on April 28, 2004 entitled “Modified Antibodies” (Peregrine file reference TI1 910207(US)WOJP).

2. Japan Patent No. 3936339, Issued on March 30, 2007 entitled “Modified Antibodies” (Peregrine file reference TI1 910208(US)WOJPD1).

3. Japan Patent Application No. 525384/1997, filed on January 16, 1997 entitled “Antibodies with Reduced Net Positive Charge” (Peregrine file reference TI2 970204(US)WOJP).

4. Korea Patent No. 485240, Issued on March 30, 2007 entitled “Antibodies with Reduced Net Positive Charge” (Peregrine file reference TI2 970205(US)WOKR).

5. Japan Patent No. 2733658, Issued on January 9, 1998 entitled “Antibody Conjugate and Method for Preparing The Same” (Peregrine file reference CBI1 8710(US)JP).

Schedule 2.1(c)
Purchased Know-How

1. Manufacturing protocols and other chTNT1 and chTNT3 related Batch Records including SOPs solely relating to the manufacture of chTNT1 and chTNT3 that are not included in the Batch records. Copies of SOPs will not be provided by Licensor but will be made available to Licensee at Licensor's manufacturing facility.
2. Hard or Electronic copies of Clinical data in the form of clinical study reports for completed trials.
3. Hard or Electronic copies of Clinical protocols and annual progress report for the 7344 IND that was submitted on or before the Effective Date.
4. Biological materials in the form of existing chTNT1 and chTNT3 cell lines.

Exhibit A
Press Release

Schedule 1.3
chTNT-1 Antibody Amino Acid Sequence

[*****]

[*****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

Schedule 1.5
chTNT-3 Antibody Amino Acid Sequence

[*****]

[*****] The following portion has been omitted pursuant to a Confidential Treatment Request under Rule 24b-2 of the Securities Exchange Act of 1934 and has been filed separately with the Securities and Exchange Commission.

Exhibit 31.1

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

I, Steven W. King, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: September 9, 2010

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

Exhibit 31.2

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

I, Paul J. Lytle, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: September 9, 2010

Signed: /s/ PAUL J. LYTLE
Paul J. Lytle
Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven W. King, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q for the quarter ended July 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By:	/s/ STEVEN W. KING
Name:	Steven W. King
Title:	President, Chief Executive Officer, and Director
Date:	September 9, 2010

I, Paul J. Lytle, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q for the quarter ended July 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report of Peregrine Pharmaceuticals, Inc. on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By:	/s/ PAUL J. LYTLE
Name:	Paul J. Lytle
Title:	Chief Financial Officer
Date:	September 9, 2010

A signed original of this written statement required by Section 906 has been provided to Peregrine Pharmaceuticals, Inc. and will be retained by Peregrine Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification is being furnished pursuant to Rule 15(d) and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. This Certification shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.