SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JULY 31, 2000

OR

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

Commission file number 0-17085

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

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

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

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

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

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

95,230,511 shares of Common Stock
as of August 31, 2000

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

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THE TERMS "WE", "US", "OUR," AND "THE COMPANY" AS USED IN THIS FORM ON 10-Q REFERS TO TECHNICLONE CORPORATION, TECHNICLONE INTERNATIONAL CORPORATION, ITS FORMER SUBSIDIARY, CANCER BIOLOGICS INCORPORATED, WHICH WAS MERGED INTO THE COMPANY ON JULY 26, 1994 AND ITS WHOLLY-OWNED SUBSIDIARY PEREGRINE PHARMACEUTICALS, INC., WHICH WAS ACQUIRED DURING APRIL 1997.

PART I FINANCIAL INFORMATION

PART II OTHER INFORMATION

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TECHNICLONE CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2000 AND APRIL 30, 2000

	JULY 31, 2000	APRIL 30, 2000
	UNAUDITED	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,708,000	$ 4,131,000
Other receivables, net of allowance of $279,000 (July) and $342,000 (April)	66,000	90,000
Prepaid expenses and other current assets	182,000	268,000
Laboratory equipment held for sale	428,000	428,000
Total current assets	13,384,000	4,917,000
PROPERTY:		
Leasehold improvements	125,000	73,000
Laboratory equipment	898,000	860,000
Furniture, fixtures and computer equipment	806,000	806,000
	1,829,000	1,739,000
Less accumulated depreciation and amortization	(946,000)	(869,000)
Property, net	883,000	870,000
OTHER ASSETS:		
Note receivable, net of allowance of $1,800,000 (July) and $1,863,000 (April)	-	-
Other, net	166,000	166,000
Total other assets	166,000	166,000
TOTAL ASSETS	$ 14,433,000	$ 5,953,000

TECHNICLONE CORPORATION

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

	JULY 31, 2000	APRIL 30, 2000
	UNAUDITED	
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 427,000	$ 522,000
Deferred license revenue	4,396,000	3,500,000
Note payable to related party and accrued interest	3,564,000	3,465,000
Accrued clinical trial site fees	336,000	280,000
Accrued royalties and license fees	301,000	268,000
Accrued legal and accounting fees	214,000	186,000
Notes payable, current portion	112,000	110,000
Other current liabilities	248,000	254,000
Total current liabilities	9,598,000	8,585,000
NOTES PAYABLE	60,000	89,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock- $.001 par value; authorized 5,000,000 shares, none outstanding:	-	-
Common stock-$.001 par value; authorized 150,000,000 shares; outstanding - 94,711,839 (July); 90,612,610 (April)	95,000	91,000
Additional paid-in capital	115,862,000	106,640,000
Deferred compensation	(1,931,000)	(2,258,000)
Accumulated deficit	(109,251,000)	(107,194,000)
Total stockholders' equity (deficit)	4,775,000	(2,721,000)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 14,433,000	$ 5,953,000

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JULY 31, 2000 AND 1999 (UNAUDITED)

	THREE MONTHS ENDED JULY 31, 2000	1999
COSTS AND EXPENSES:		
Research and development	$ 1,453,000	$ 1,984,000
General and administrative	480,000	823,000
Stock-based compensation	327,000	157,000
Interest	103,000	88,000
Total costs and expenses	2,363,000	3,052,000
INTEREST AND OTHER INCOME	306,000	63,000
NET LOSS	$ (2,057,000)	$ (2,989,000)
Net loss before preferred stock dividends	$ (2,057,000)	$ (2,989,000)
Imputed dividends on Class C Preferred Stock	-	(1,000)
Net loss applicable to common stock	$ (2,057,000)	$ (2,990,000)
Weighted average shares outstanding	92,539,300	75,002,199
BASIC AND DILUTED LOSS PER SHARE	$ (0.02)	$ (0.04)

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED JULY 31, 2000 (UNAUDITED)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	DEFERRED STOCK COMPENSATION	ACCUMULATED DEFICIT	NET STOCKHOLDERS' EQUITY (DEFICIT)
BALANCES - April 30, 2000	90,612,610	$ 91,000	$ 106,640,000	$ (2,258,000)	$(107,194,000)	$ (2,721,000)
Common stock issued upon exercise of options and warrants	49,801	-	14,000	-	-	14,000
Common stock issued for cash under Equity Line	3,464,419	3,000	7,209,000	-	-	7,212,000
Common stock issued to OXiGENE, Inc. for cash under joint venture	585,009	1,000	1,999,000	-	-	2,000,000
Stock-based compensation	-	-	-	327,000	-	327,000
Net loss	-	-	-	-	(2,057,000)	(2,057,000)
BALANCES - July 31, 2000	94,711,839	$ 95,000	$ 115,862,000	$ (1,931,000)	$(109,251,000)	$ 4,775,000

See accompanying notes to consolidated financial statements

TECHNICLONE CORPORATION

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

	THREE MONTHS ENDED JULY 31, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(2,057,000)	$(2,989,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	77,000	126,000
Stock-based compensation	327,000	157,000
Severance expense	-	126,000
Changes in operating assets and liabilities:		
Other receivables	24,000	(23,000)
Prepaid expenses and other current assets	86,000	29,000
Accounts payable and accrued legal and accounting fees	(67,000)	(66,000)
Deferred license revenue	896,000	-
Accrued clinical trial site fees	56,000	(63,000)
Accrued royalties and license termination fees	33,000	(9,000)
Other accrued expenses and current liabilities	93,000	(147,000)
Net cash used in operating activities	(532,000)	(2,859,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property acquisitions	(90,000)	(76,000)
Decrease in other assets	-	16,000
Net cash used in investing activities	(90,000)	(60,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	9,226,000	2,196,000
Principal payments on notes payable	(27,000)	(29,000)
Payment of Class C preferred stock dividends	-	(1,000)
Net cash provided by financing activities	9,199,000	2,166,000

TECHNICLONE CORPORATION

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

	THREE MONTHS ENDED JULY 31, 2000	1999
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 8,577,000	$ (753,000)
CASH AND CASH EQUIVALENTS, beginning of period	4,131,000	2,385,000
CASH AND CASH EQUIVALENTS, end of period	$12,708,000	$ 1,632,000
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 4,000	$ 88,000

See accompanying notes to consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Peregrine Pharmaceuticals, Inc. (Peregrine). The Company acquired the Vascular Targeting Agent ("VTA") technology through the acquisition of Peregrine in April 1997. All intercompany balances and transactions have been eliminated.

At July 31, 2000, we had $12,708,000 in cash and cash equivalents. We have expended substantial funds on the development of our product candidates and for clinical trials. As a result, we have had negative cash flows from operations since inception and expect the negative cash flows from operations to continue until we are able to generate sufficient additional revenue from the sale and/or licensing of our products. Although we have sufficient cash on hand to meet our obligations on a timely basis for at least the next 12 months (excluding any future draws under the Company's Common Stock Equity Line of Credit), we will continue to require additional funding to sustain our research and development efforts, provide for future clinical trials, establish contract manufacturing and product commercialization capabilities, and continue our operations until we are able to generate sufficient revenue from the sale and/or licensing of our products. We plan to obtain required financing through one or more methods including, obtaining additional equity or debt financing and negotiating additional licensing or collaboration agreements with another company.

The Company's ability to access funds under the Equity Line Agreement is subject to the satisfaction of certain conditions and the failure to satisfy these conditions may limit or preclude the Company's ability to access such funds, which could adversely affect the Company's business, immediate liquidity, financial position and results of operations unless additional financing sources are available (Note 2).

The accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at July 31, 2000, and the consolidated results of its operations and its consolidated cash flows for the three-month periods ended July 31, 2000 and 1999. Although the Company believes that the disclosures in the financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in the consolidated financial statements have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission. The consolidated financial statements included herein should be read in conjunction with the consolidated financial statements of the Company, included in the Company's Annual Report on Form 10-K for the year ended April 30, 2000, which was filed with the Securities and Exchange Commission on July 31, 2000. Results of operations for the interim periods covered by this Report may not necessarily be indicative of results of operations for the full fiscal year.

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

NET LOSS PER SHARE. Net loss per share is calculated by adding the net loss for the three month period to the Preferred Stock dividends and Preferred Stock issuance discount accretion on the Class C Preferred Stock during the three-month period divided by the weighted average number of shares of common stock outstanding during the three month period. Shares issuable upon the exercise of common stock warrants and options have been excluded from the per share calculation for the three-month periods ended July 31, 2000 and 1999 because their effect is antidilutive. Accretion of the Class C Preferred Stock dividends and issue discount amounted to $1,000 for the quarter ended July 31, 1999. There were no shares of Preferred Stock outstanding during the three months ended July 31, 2000.

RECENT ACCOUNTING PRONOUNCEMENTS. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements". The bulletin draws on existing accounting rules and provides specific guidance on how those accounting rules should be applied. Among other things, SAB No. 101 requires that license and other up-front fees from research collaborators be recognized over the term of the agreement unless the fee is in exchange for products delivered or services performed that represent the culmination of a separate earnings process. SAB No. 101 is effective no later than the fourth fiscal quarter of the fiscal years beginning after December 15, 1999. The Company is currently reviewing the impact of SAB No. 101 and the effect it may have on the Company's financial position and results of operations.

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

2. STOCKHOLDERS' EQUITY

During June 1998, the Company secured access to $20,000,000 under a Common Stock Equity Line of Credit ("Equity Line") with two institutional investors, as amended on June 2, 2000 (the Amendment). Under the amended terms of the Equity Line, the Company may, in its sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of the Company's common stock until all common shares previously registered under the Equity Line have been exhausted. As of July 31, 2000, the Company had approximately 7,055,000 shares available under the Equity Line. Under the amendment, up to $2,800,000 of Puts can be made every month if the Company's closing bid price is $2.00 or higher during the 10-day pricing period. If the Company's closing bid price is between $1.00 and $2.00, then the Company can Put up to $1,500,000 per month and if the Company's closing bid price falls below $1.00 on any trading day during the ten trading days prior to the Put, the Company's ability to access funds under the Equity Line in the Put is limited to 15% of what would otherwise be available. If the closing bid price of the Company's common stock falls below $0.50 or if the Company is delisted from The Nasdaq SmallCap Market, the Company would have no access to funds under the Equity Line. Future Puts under the Equity Line are priced at a discount equal to the greater of $0.20 or 17.5% off the lowest closing per share bid price during the ten trading days immediately preceding the date on which such shares are sold to the institutional investors.

During the quarter ended July 31, 2000, the Company received gross proceeds of $7,800,000 in exchange for 3,147,924 shares of common stock under the Equity Line. In addition, during the quarter ended July 31, 2000, the Company issued 316,495 shares of common stock and warrants to purchase up to 31,648 shares of common stock and paid cash fees of $546,000 to Dunwoody Brokerage Services, Inc. as placement agent fees. Mr. Eric Swartz, a member of the Board of Directors, maintains a contractual right to 50% of the placement agent fees paid under the Equity Line. The Equity Line was consummated in June 1998 when Mr. Swartz had no Board affiliation with the Company.

During May 2000, the Company received $2,000,000 in exchange for 585,009 shares of common stock in accordance with the joint venture agreement with OXiGENE, Inc. (Note 4).

3. CONTINGENCY

During March 2000, the Company was served with a notice of lawsuit filed in Orange County Superior Court for the State of California by a former officer of the Company who resigned from the Company on November 3, 1999. The lawsuit alleges a single cause of action for breach of contract. A Director of the Company was also served with a notice of lawsuit, but such claims do not appear to be directed toward the Company. A hearing was held on July 21, 2000 in which the Superior Court judge approved a plaintiff request for a writ of attachment and required the plaintiff to post a $15,000 bond in connection with that writ. The case is in the early stages of investigation and the Company is unable to evaluate the likelihood of an unfavorable outcome. The Company intends to vigorously contest the underlying complaint.

4. LICENSING

During May 2000, the Company entered into a joint venture agreement with OXiGENE, Inc. ("OXiGENE"). Under the terms of the joint venture agreement, the Company has agreed to supply its VTA intellectual property to the joint venture while OXiGENE has agreed to (i) provide its next generation tubulin-binding compounds (ii) spend up to $20,000,000 to fund the development expenses of the joint venture based on its development success (iii) pay the Company a nonrefundable $1,000,000 license fee, which was received in May 2000 and will be amortized as license revenue over a two year period (iv) purchase $2,000,000 of the Company's common stock (Note 2) and (v) pay the Company a $1,000,000 nonrefundable license fee and subscribe to an additional $1,000,000 in common stock of the Company upon filing an Investigational New Drug Application ("IND") for the first clinical candidate developed. Any future funding of the joint venture after OXiGENE has paid its $20,000,000 in development expenses will be shared equally by the Company and OXiGENE. Additionally, under the terms of the joint venture agreement, any sublicensing fees generated within the joint venture will be allocated 75% to the Company and 25% to OXiGENE until the Company has received $10,000,000 in sublicensing fees. Thereafter, the joint venture partners will share licensing fees equally. Any royalty income or profits will also be shared equally by the joint venture partners. The Company and OXiGENE have agreed to name the new entity ARCUS Therapeutics, LLC.

During June 2000, the Company and Schering A.G. entered into an amendment (the "Amendment") to the Oncolym(R) License Agreement dated March 8, 1999 whereby Schering A.G. has agreed to pay for 100% of the Oncolym(R) clinical development expenses, excluding drug related costs, for the Phase I clinical trial. In exchange for this commitment, the Company agreed to transfer $1,300,000 of its common stock to Schering A.G. as defined in the Amendment. Upon the successful completion of the Phase I clinical trial, Schering A.G. will pay for 100% of the Phase II/III clinical trial (excluding drug related costs) in exchange for the Company issuing an additional $1,700,000 of its common stock as defined in the Amendment. Eighty percent of the clinical trial costs in excess of the $1,300,000 for the Phase I trial and $1,700,000 for the Phase II/III trial will be paid by Schering A.G. and Techniclone will pay the remaining 20%. If Schering A.G. moves forward after the Phase II/III clinical trial, then Schering A.G. has agreed to refund Techniclone 80% of the proceeds it received from the sale of Techniclone's common stock by applying such amount to the Company's clinical and manufacturing obligations under the License Agreement dated March 8, 1999. During August 2000, the Company issued 518,672 shares of its common stock valued at $1,300,000 for the Company's initial obligation under the Amendment.

During August 2000, the Company entered into a licensing agreement with Scotia Pharmaceutical Limited to license a segment of its VTA technology, specifically related to applications of Photodynamic Therapy agents (PDT) for the worldwide exclusive rights to this area. Under the letter of intent, the Company received an up-front payment of $500,000 in April 2000, which has been included in deferred license revenue in the accompanying consolidated financial statements. The Company will also receive milestone payments and a royalty upon commercialization of a product.

5. SUBSEQUENT EVENTS

On August 31, 2000, the Company paid $1,000,000 in principal on its note payable to BTD, which is included in note payable to related party and accrued interest in the accompanying financial statements.

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

Except for historical information contained herein, this Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. In light of the important factors that can materially affect results, including those set forth elsewhere in this Form 10-Q, the inclusion of forward-looking information should not be regarded as a representation by the Company or any other person that the objectives or plans of the Company will be achieved. When used in this Form 10-Q, the words "may," "should," "believe," "anticipate," "estimate," "expect," their opposites and similar expressions are intended to identify forward-looking statements. The Company cautions readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements.

The following discussion is included to describe the Company's financial position and results of operations for the quarter ended July 31, 2000 compared to the same period in the prior year. The consolidated financial statements and notes thereto contain detailed information that should be referred to in conjunction with this discussion. In addition, the consolidated financial statements included herein should be read in conjunction with the consolidated financial statements of the Company, included in the Company's Annual Report on Form 10-K for the year ended April 30, 2000, which was filed with the Securities and Exchange Commission on July 31, 2000. Results of operations for the interim periods covered by this Report may not necessarily be indicative of results of operations for the full fiscal year.

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

Collateral targeting is a strategy that has been developed to take advantage of characteristics common to all solid tumors. These common tumor characteristics include the development of a blood supply in all solid tumors in excess of two millimeters in size in order to support growth. While all solid tumors in excess of two millimeters in size develop a blood supply, they do not develop an adequate blood supply. The lack of an adequate blood supply results in starvation and eventually death of tumor cells farthest from the tumor blood vessels. These dying and dead tumor cells are known as the necrotic core of the tumor. Our Collateral Targeting Agents target either intratumoral blood vessels or structures found in the necrotic core of the tumor.

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

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

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

Techniclone has taken steps to protect its position in the field of Collateral Targeting Agents. Techniclone currently has exclusive rights to over 40 issued U.S. and foreign patents protecting various aspects of its Technology and has additional pending patent applications that it believes will further strengthen its position in Collateral Targeting.

Our direct tumor-targeting agent, Oncolym(R), for the treatment of Non-Hodgkins B-cell Lymphoma ("NHL") is being developed by Schering A.G., a major multinational pharmaceutical company. On March 8, 1999, Techniclone entered into a license agreement with Schering A.G. with respect to the development, manufacturing and marketing of our direct tumor targeting agent candidate, Oncolym(R). Schering A.G. has advised the Company that they currently anticipate starting a single dose dosing trial with a modified treatment strategy in the near future. This dose escalation study is designed to measure safety and efficacy of a single dose of Oncolym(R) in intermediate and high grade Non-Hodgkin's B-cell Lymphoma.

RESULTS OF OPERATIONS. Before we compare the total operations of the Company (cash and non-cash income and expenses), we would like to discuss the Company's operational burn rate (net cash expenses from operations) for the three months ended July 31, 2000 compared to the same period in the prior year. As shown in the following schedule, the Company's operational burn rate has decreased $823,000 (or 32%) from $2,580,000 for the quarter ended July 31, 1999 to $1,757,000 for the current three-month period ended July 31, 2000. As further shown in that schedule, the average monthly operational burn rate has decreased approximately $274,000 (or 32%) per month for each month in the three months ended July 31, 2000 compared to the same average monthly periods in the prior year. The net decrease in cash expenses primarily relates to a decrease in manufacturing related expenses as the Company will now contract out such services, a decrease in radiolabeling scale-up expenses and a decrease in general and administrative expenses primarily due to fewer employees in administration. In addition, the net decrease in expenses was supplemented by an increase in interest and other income as a result of a higher cash balance on hand during the current quarter. Moving forward, the Company is trying to sublease its excess space and plans to consolidate its operations in one building to further reduce its fixed operational burn rate. However, our total operational burn rate will vary substantially from quarter to quarter based on patient enrollment rates of our clinical trial programs and the funding of non-recurring items, which may include but are not limited to, items associated with product development, contract manufacturing, contract radiolabeling and the related commercial scale-up efforts of contract manufacturing and contract radiolabeling.

The operational burn rate analysis for the three months ended July 31, 2000 and 1999 is as follows:

	THREE MONTHS ENDED JULY 31,	
	2000	1999
Net loss	$ (2,057,000)	$ (2,989,000)
Less non-cash revenue and expenses:		
Deferred license revenue	(104,000)	-
Depreciation and amortization	77,000	126,000
Stock-based compensation expense and non-cash severance expenses	327,000	283,000
Net operational burn rate for the three months ended July 31,	$ (1,757,000)	$ (2,580,000)
Net average monthly operational burn rate based on the three months ended July 31,	$ (586,000)	$ (860,000)

The Company's net loss of $2,057,000 for the quarter ended July 31, 2000 represents a decrease in net loss of $932,000 (or 31%) in comparison to the net loss of $2,989,000 for the prior year quarter ended July 31, 1999. This decrease in the net loss for the quarter ended July 31, 2000 is due to a decrease in total costs and expenses of $689,000 combined with an increase in interest and other income of $243,000.

The Company's total costs and expenses decreased $689,000 during the three months ended July 31, 2000 compared to the three months ended July 31, 1999 due to a decrease in research and development expenses of $531,000 and a decrease in general and administrative expenses of $343,000, which were offset by an increase in stock-based compensation expense of $170,000 and an increase in interest expense of $15,000.

The decrease in research and development expenses of $531,000 during the three months ended July 31, 2000 compared to the same period in the prior year is primarily due to decreased research fees paid to MDS Nordion associated with the development of a commercial radiolabeling facility combined with a decrease in manufacturing expenses as the Company is no longer attempting to become a commercial manufacturer of antibodies, which has led to the reduction in materials, outside services and salaries to support the manufacturing operation. The Company will now contract out its commercial manufacturing needs with companies with excess capacities.

The decrease in general and administrative expenses of $343,000 during the quarter ended July 31, 2000 compared to the quarter ended July 31, 1999 resulted primarily from a decrease in severance expenses and decreased salaries due to fewer employees in administration combined with a decrease in legal fees, consulting fees, investor relation fees and other general expenses.

The increase in stock-based compensation of $170,000 for the three months ended July 31, 2000 is primarily due to the fair value of options granted to non-employee consultants of the Company during April 2000 who are assisting the Company with the development of its platform technologies. The options were valued using the Black-Scholes valuation model and are being amortized over the estimated period of service or related vesting period.

The increase in interest expense of $15,000 for the three months ended July 31, 2000 compared to the same period in the prior year is primarily due to an increase in the rate of interest from 10% per annum to 12% per annum on a $3,300,000 note payable to Biotechnology Development Ltd. in accordance with the Waiver Agreement dated December 29, 1999.

The increase in interest and other income of $243,000 during the three months ended July 31, 2000 compared to the same period in the prior year is primarily due to an increase in interest income from the Company's increased level of cash and cash equivalents on hand during the current quarter combined with the current quarter recognition of $104,000 in license revenues from the OXiGENE, Inc. joint venture. The Company does not expect to generate product sales for at least the next year.

LIQUIDITY AND CAPITAL RESOURCES. As of July 31, 2000, the Company had $12,708,000 in cash and cash equivalents. The Company has financed its operations primarily through the sale of Common Stock, which has been supplemented with payments received from various licensing deals. During the quarter ended July 31, 2000, the Company received net proceeds of $9,226,000 from the sale of Common Stock and from the exercise of stock options. Without obtaining additional financing or entering into additional licensing arrangements for the Company's other product candidates, the Company believes that it has sufficient cash on hand (excluding any future draws under the Equity Line), to meet its obligations on a timely basis for at least the next 12 months.

The Company has experienced negative cash flows from operations since its inception and expects the negative cash flow from operations to continue for the foreseeable future. The Company expects operating expenditures related to clinical trials to increase in the future as the Company's clinical trial activity increases and scale-up for clinical trial production and radiolabeling continues. As a result of increased activities in connection with the clinical trials for Cotara(TM) and Oncolym(R), and the development costs associated with Vasopermeation Enhancement Agents (VEAs), the Company expects that the monthly negative cash flow will continue. The development of the Company's Vascular Targeting Agent (VTA) technology will be funded primarily by OXiGENE, Inc. under a joint venture agreement entered into during May 2000, whereby OXiGENE, Inc. will be funding up to $20,000,000 in development costs.

The Company has the ability, subject to certain conditions, to obtain future funding under the Equity Line, as amended on June 2, 2000, whereby, the Company may, in its sole discretion, and subject to certain restrictions, periodically sell ("Put") shares of the Company's Common Stock until all common shares previously registered under the Equity Line have been exhausted. As of July 31, 2000, the Company had approximately 7,055,000 shares registered and available under the Equity Line for future Puts. Under the amendment, up to $2,800,000 of Puts can be made every month if the Company's closing bid price is $2.00 or higher during the 10-day pricing period. If the Company's closing bid price is between $1.00 and $2.00, then the Company can Put up to $1,500,000 per month and if the Company's closing bid price falls below $1.00 on any trading day during the ten trading days prior to the Put, the Company's ability to access funds under the Equity Line in the Put is limited to 15% of what would otherwise be available. If the closing bid price of the Company's Common Stock falls below $0.50 or if the Company is delisted from The Nasdaq SmallCap Market, the Company would have no access to funds under the Equity Line. Future Puts are priced at a discount equal to the greater of 17.5% of the lowest closing bid price during the ten trading days immediately preceding the date on which such shares are sold to the institutional investors or $0.20. At the time of each Put, the investors will be issued warrants, exercisable only on a cashless basis and expiring on December 31, 2004, to purchase up to 15% of the amount of Common Stock issued to the investors at the same price as the shares of Common Stock sold in the Put.

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

RISK FACTORS OF OUR COMPANY

The biotechnology industry includes many risks and challenges. Our challenges may include, but are not limited to: uncertainties associated with completing pre-clinical and clinical trials for our technologies; the significant costs to develop our products as all of our products are currently in development, pre-clinical studies or clinical trials and no revenue has been generated from commercial product sales; obtaining additional financing to support our operations and the development of our products; obtaining regulatory approval for our technologies; complying with governmental regulations applicable to our business; obtaining the raw materials necessary in the development of such compounds; consummating collaborative arrangements with corporate partners for product development; achieving milestones under collaborative arrangements with corporate partners; developing the capacity to manufacture, market and sell our products, either directly or indirectly with collaborative partners; developing market demand for and acceptance of such products; competing effectively with other pharmaceutical and biotechnological products; attracting and retaining key personnel; protecting proprietary rights; accurately forecasting operating and capital expenditures, other capital commitments, or clinical trial costs and general economic conditions. A more detail discussion regarding the Company's industry and business risk factors can be found in the Company's Annual Report on Form 10-K for the year ended April 30, 2000, as filed with the Securities and Exchange Commission on July 31, 2000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in United States interest rates would affect the interest earned on the Company's cash and cash equivalents. Based on the Company's overall interest rate exposure at July 31, 2000, a near-term change in interest rates, based on historical movements, would not materially affect the fair value of interest rate sensitive instruments. The Company's debt instruments have fixed interest rates and terms and therefore, a significant change in interest rates would not have a material adverse effect on the Company's financial position or results of operations.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

During March 2000, the Company was served with a notice of lawsuit filed in Orange County Superior Court for the State of California by a former officer of the Company who resigned from the Company on November 3, 1999. The lawsuit alleges a single cause of action for breach of contract. A Director of the Company was also served with a notice of lawsuit, but such claims do not appear to be directed toward the Company. A hearing was held on July 21, 2000 in which the Superior Court judge approved a plaintiff request for a writ of attachment and required the plaintiff to post a $15,000 bond in connection with that writ. The case is in the early stages of investigation and the Company is unable to evaluate the likelihood of an unfavorable outcome. The Company intends to vigorously contest the underlying complaint.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

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

During May 2000, the Company issued 585,009 shares of common stock to OXiGENE, Inc. in exchange for $2,000,000 in accordance with the joint venture agreement.

During June 2000, the Company issued 9,801 shares of Common Stock to one institutional investor upon the cashless exercise of 42,413 warrants under the Equity Line.

On various dates during the quarter ended July 31, 2000, the Company issued an aggregate of 3,464,419 shares of the Company's common Stock to the two institutional investors and the placement agent under the Equity Line, for an aggregate purchase price of $7,800,000, pursuant to an Equity Line draw and also issued warrants to the two institutional investors and placement agent to purchase up to 400,356 shares of Common Stock, which warrants are immediately exercisable on a cashless basis only and expire on December 31, 2004.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

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

ITEM 5. OTHER INFORMATION. None.

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

(a) Exhibits:

Exhibit Number	Description
10.71	Third Amendment to Regulation D Common Stock Equity Line Subscription Agreement dated June 2, 2000 by and among the Registrant, The Tail Wind Fund, Ltd. and Resonance Limited.
27	Financial Data Schedule.

(b) Reports on Form 8-K:

Current Report on Form 8-K as filed with the Commission on May 17, 2000 reporting the joint venture agreement with OXiGENE, Inc. for the Company's Vascular Targeting Agent technology.

Current Report on Form 8-K as filed with the Commission on June 2, 2000 reporting the third amendment to the Regulation D Common Stock Equity Line Subscription Agreement, whereby the Company would be able to draw up to $2,800,000 per month.

SIGNATURES

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

TECHNICLONE CORPORATION

By: /s/ John N. Bonfiglio

President & Chief Executive Officer

/s/ Paul J. Lytle

Vice President of Finance and Accounting (signed both as an officer duly authorized to sign on behalf of the Registrant and principal financial officer and chief accounting officer)

EXHIBIT 10.71

THIRD AMENDMENT TO REGULATION D COMMON STOCK EQUITY LINE SUBSCRIPTION AGREEMENT

THIS THIRD AMENDMENT TO REGULATION D COMMON STOCK EQUITY LINE SUBSCRIPTION AGREEMENT (this "Third Amendment") is entered into as of June 2, 2000 by and among Techniclone Corporation, a corporation duly incorporated and existing under the laws of the State of Delaware (the "Company"), The Tail Wind Fund, Ltd. ("Tail Wind") and Resonance Ltd. ("Resonance") (each of Tail Wind and Resonance may hereinafter be referred to as individually as a "Subscriber" and, collectively, as the "Subscribers").

RECITALS:

WHEREAS, pursuant to the Company's offering ("Offering") of Common Stock of the Company pursuant to that certain Regulation D Common Stock Equity Line Subscription Agreement, dated June 16, 1998 between the Company and Subscribers, as previously amended on June 16, 1998 and September 16, 1998 (as so amended, the "Subscription Agreement"), the Company has agreed to sell and Subscribers have agreed to purchase, from time to time, as provided in the Subscription Agreement, shares of the Company's Common Stock for a maximum aggregate offering amount of $20,000,000, subject to certain terms and conditions; and

WHEREAS, the Company and Subscribers desire to eliminate the maximum aggregate offering amount limitation on the amount of the Offering, and desire to amend certain other terms of the Subscription Agreement.

TERMS:

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree to as follows:

1. Section 1 (Certain Definitions) of the Subscription Agreement is hereby amended as follows:

(a) the definition of the term "Aggregate Quarterly Dollar Maximum" is hereby amended so that it means "Eight Million Four Hundred Thousand Dollars ($8,400,000)".

(b) the definition of the term "Maximum Offering Amount" is hereby eliminated from the Subscription Agreement; the reference to such term in the first recital to the Subscription Agreement is also eliminated from the Subscription Agreement.

(c) the definition of the term "Term" is hereby amended so that it reads in its entirety as follows:

"'Term' shall mean the term of this Agreement, which shall be the date that is three months after the date that the Maximum Call Shares are exhausted or extinguished under the equity line.

2. Section 2.3.1 (Procedure to Exercise Call for Proceeds) of the Subscription Agreement is hereby amended so that the provisions thereof preceding subparagraph (a) thereof read as follows:

"During any Monthly Period beginning on the date on which the Registration Statement is declared effective by the SEC (the "Effective Date"), the Company may, in its sole and absolute discretion, elect to exercise one or more Calls for Proceeds (provided that an Advance Call Notice may not be delivered at any time during the period between the date commencing on the immediately preceding Advance Call Notice Date and ending on the Business Day following the Call Closing Date (as defined in Section 2.3.3 below) applicable to such Advance Call Notice) according to the following procedure:"

3. Section 2.3.2 (Call Limitations) of the Subscription Agreement is hereby amended as follows:

(a) Sub-section (a) of Section 2.3.2 is hereby amended to read in its entirety as follows:

"(a) the Company shall not exercise any Call for Proceeds for a number of Call Shares in excess of the Maximum Call Shares. The "Maximum Call Shares" shall equal the difference between (i) 10,522,458 minus (ii) the aggregate number of all Call Shares sold to Subscribers subsequent to the date of this Third Amendment. The Maximum Call Shares shall be allocated among the Subscribers in proportion to each Subscriber's Subscriber Allocation.

(b) Sub-section (b) of Section 2.3.2 is hereby amended so that it reads its entirety as follows:

"(b) the Company shall not exercise a Call for Proceeds for a Call Dollar Amount in excess of the Maximum Call Dollar Amount. The Maximum Call Dollar Amount shall equal $2,800,000 in any Monthly Period. If the Company delivers an Advance Call Notice sooner than thirty days following the most recent Advance Call Notice, then the Intended Call Dollar Amount in such Advance Call Notice, when added to the Call Dollar Amounts in the previous Advance Call Notices within the preceding 30 days, may not exceed $2,800,000.

(c) Sub-section (c) of 2.3.2 is hereby amended to read in its entirety as follows:

"(c) if the Closing Bid Price of the Common Stock on any Trading Day during the ten (10) Trading Days preceding the Call Date is less than the Soft Floor Price and greater than the Hard Floor Price, then the Company shall not exercise a Call for Proceeds for a Call Dollar Amount in excess of fifteen percent (15%) of the Maximum Call Dollar Amount that would otherwise be available; if such Closing Bid Price on any Trading Day during such period is less than two dollars ($2.00) ("Second Soft Floor Price") but not less than Soft Floor Price, then the Company shall not exercise a Call for Proceeds for a Call Dollar Amount in excess of the lesser of (i) $1,500,000 or (ii) the portion of the Maximum Call Dollar Amount that would otherwise be available; provided, however, that the Second Soft Floor Price, Soft Floor Price and Hard Floor Price shall be proportionately increased in the event of any combination or reverse stock split of the shares of Common Stock, or any recapitalization or reorganization which results in less shares of Common Stock being outstanding, and the Second Soft Floor Price, Soft Floor Price and Hard Floor Price shall be proportionately reduced in the event of any stock split or common stock dividend with respect to the shares of Common stock;"

4. Section 2.4 (Warrants) of the Subscription Agreement is hereby amended to change all references to "ten percent (10%)", to "fifteen (15%)" in Sections 2.4.1, 2.4.2 and 2.4.3 of Section 2.4. Future warrants issued under this equity line shall have a term ending December 31, 2005.

5. Section 7.6 (Expenses) of the Subscription Agreement is hereby amended by adding the following sentence at the end thereof: "Notwithstanding the foregoing, the Company shall, at the time of delivery of each Advance Call Notice for any call amount in excess of $2,500,000 per quarter, deliver to Tail Wind a dollar amount equal to one half of one percent (50 basis points) of the Intended Call Dollar Amount set forth in the Advance Call Notice, which dollar amount may be used by Tail Wind to defray due diligence and other expenses in connection with such Advance Call Notice.

6. Intentionally Omitted.

7. Except as set forth above, the Subscription Agreement shall remain unmodified and in full force in effect.

8. It is hereby agreed that the Registration Rights Agreement and the Escrow Agreement (as such terms are defined in the Subscription Agreement) are hereby amended, MUTATIS MUTANDIS to conform to the changes effected by this Third Amendment.

IN WITNESS WHEREOF, the undersigned have executed this Third Amendment as of the 2nd day of June, 2000.

TECHNICLONE CORPORATION

By: /s/ Paul J. Lytle

Address: Techniclone Corporation
14282 Franklin Avenue
Tustin, CA 92780
Telephone No. (714) 508-6000
Facsimile No. (714) 838-4094

THE TAIL WIND FUND, LTD.

By: /s/ David Crook, June 2, 2000

Name: David Crook
Title:

Address: The Tail Wind Fund, Ltd.
Windermere House
404 East Bay Street
P.O. Box SS-5539
Nassau, Bahamas
Attention: N. Rolle
Telephone No. (242) 393-8777
Facsimile No. (242) 393-9021

With a copy to:

Tail Wind, Inc.
c/o European American Securities, Inc.
One Regent Street, 1st Floor
London SW1Y 4NS
England
Attention: David Crook
Telephone No. (011) 44-207-468-7660
Facsimile No. (011) 44-207-468-7657

RESONANCE LIMITED

By: /s/ Moishe Bodner

Name: Moishe Bodner
Title: President

Address: Resonance Limited
c/o Isac Securities
310 Madison Avenue, Suite 503
New York, NY 10017
Nassau, Bahamas
Telephone No. (917)834-3811
Facsimile No. (718)339-7079

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