PEREGRINE PHARMACEUTICALS INC

FORM 8-K
(Unscheduled Material Events)

Filed 1/24/1996 For Period Ending 12/27/1995

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CIK	0000704562
Industry	Biotechnology & Drugs
Sector	Healthcare
Fiscal Year	04/30

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) December 27, 1995

TECHNICLONE INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

California	0-17085	95-3698422
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No)

14282 Franklin Avenue, Tustin, California 92680
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (714) 838-0500

Not Applicable
(Former name or former address, if changed since last report)

Exhibit Index on Page 5

ITEM 5. OTHER EVENTS

ISSUANCE OF SERIES B CONVERTIBLE PREFERRED STOCK

On December 27, 1995, Techniclone International Corporation (the "Registrant") issued 7,700 shares of newly created Series B Convertible Preferred Stock, at a price of $1,000 per share, and on December 29, 1995 issued an additional 500 shares of Series B Convertible Preferred Stock, at a price of $1,000 per share, for an aggregate issuance consideration of $8,200,000 to sixteen (16) offshore investors pursuant to Regulation S promulgated under the Securities Act of 1933. The Series B Convertible Preferred Stock is convertible, commencing immediately after the Closing into Common Stock of Registrant. During the first ninety days after the Closing the Preferred Stock may be converted in multiples of $50,000 into that number of shares of Common Stock calculated by dividing $1,000 by 110% of the Fixed Conversion Price which is the lower of (i) $3.06875 per share of Common Stock or (ii) 85% of the fair market value of the Common Stock on the date of conversion based on the average bid price during the five trading days prior to the date of conversion. Beginning 91 days after the Closing Date the number of shares issued upon conversion is determined by a calculation contained in the Certificate of Determination of Series B Convertible Preferred Stock (included herewith as Exhibit 3.1).

In connection with the placement of the Series B preferred Stock the Registrant paid to Swartz Investments, Inc. commissions of $656,000 and a non-accountable expense allowance of $246,000. In addition, the Registrant issued to Swartz Investments, Inc. two five year warrants to purchase an aggregate of 240,210 shares of the Registrant's Common Stock at an exercise price of $3.06875. The Common Stock issuable on exercise of the warrant and on conversion of the Series B Convertible Preferred Stock (if not otherwise freely tradeable) is subject to registration pursuant to a Registration Rights Agreement.

The Company intends to use the proceeds from the offering to support its LYM-1, Oncolym(TM) manufacturing effort for the Phase III LYM-1,Oncolym(TM) clinical trials, to fund additional development of its patented tumor necrosis technology (TNT) and for working capital. The Company believes that the additional capital resulting from this offering will be sufficient to support the Company's relisting on NASDAQ. The Company plans to apply for relisting on NASDAQ early in 1996.

ITEM 7. EXHIBITS

EXHIBIT NO.	DESCRIPTION
3.1(a)	Certificate of Determination, as filed with the California Secretary of State on December 22, 1995
3.1(b)	Merger Agreement, as filed with the California Secretary of State on July 26, 1994
3.1(c)	Amended and Restated Articles of Incorporation, as filed with the California Secretary of State on July 25, 1994
4.1	Form of Subscription Agreement entered into with each investor.
4.2	Registration Rights Agreement, dated December __, 1995.
4.3	Form of Warrant to Purchase Common Stock, issued to Swartz Investments, Inc.
99.1	Press Release dated December 29, 1995.

SIGNATURE

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 INTERNATIONAL CORPORATION

Date: January 22, 1996

By: /s/ WILLIAM V. MODING

William V. Moding
Chief Financial Officer

EXHIBIT INDEX

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3.1(a)	Certificate of Determination, as filed with the California Secretary of State on December 22, 1995.	6
3.1(b)	Merger Agreement, as filed with the California Secretary of State on July 26, 1994.	19
3.1(c)	Amended and Restated Articles of Incorporation, as filed with the California Secretary of State on July 25, 1994.	24
4.1	Form of Subscription Agreement entered into with each investor	34
4.2	Registration Rights Agreement dated December __, 1995	51
4.3	Form of Warrant to Purchase Common Stock issued to Swartz Investments, Inc.	60
99.1	Press Release dated December 29, 1995	68

CERTIFICATE OF DETERMINATION
OF
CLASS B CONVERTIBLE PREFERRED STOCK
OF
TECHNICLONE INTERNATIONAL CORPORATION,
A CALIFORNIA CORPORATION

LON H. STONE and WILLIAM V. MODING hereby certify that:

1. They are the duly elected and acting President and Secretary, respectively, of Techniclone International Corporation, a California corporation (the "Corporation").

2. The Articles of Incorporation of the Corporation authorize the issuance of One Hundred Thousand (100,000) shares of Preferred Stock of a par value of One Dollar ($1.00) per share and vest in the Board of Directors of the Corporation the authority provided therein to issue any or all of said shares in one or more series and by resolution or resolutions to establish the designation, number, full or limited voting powers, or the denial of voting powers, preferences and relative, participating, optional, and other special rights and the qualifications, limitations, restrictions, and other distinguishing characteristics of each series to be issued.

3. The Board of Directors of the Corporation, pursuant to the authority vested in it as aforesaid, has adopted the following resolutions creating a Class B Convertible issue of Preferred Stock to be established pursuant to amendment to the Corporation's Articles of Incorporation pursuant to

Section 401 of the California Corporations Code:

"RESOLVED, that Ten Thousand (10,000) shares of the One Hundred Thousand (100,000) authorized shares of Preferred Stock of the Corporation shall be designated Class B Convertible Preferred Stock, $1.00 par value per share, and shall possess the rights and privileges set forth below:

SECTION 1. DETERMINATION AND AMOUNT. The shares of such series shall be designated as "Class B Convertible Preferred Stock" (the "Class B Convertible Preferred Stock") and the number of shares constituting the Class B Convertible Preferred Stock shall be Ten Thousand (10,000). Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Class B Convertible Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants to acquire shares of Class B Convertible Preferred Stock or upon the conversion of any outstanding securities issued by the Corporation convertible into Class B Convertible Preferred Stock.

SECTION 2. RANK. The Class B Convertible Preferred Stock shall rank: (i) on parity with all of the Corporation's Class A Convertible Preferred Stock, (ii) junior to any other class or series of capital stock of the Corporation hereafter created specifically ranking by its terms senior to the Class B Convertible Preferred Stock (collectively, the "Senior Securities");
(iii) prior to all of the Corporation's Common Stock, no par value ("Common Stock"); (iv) prior to any class or series of capital stock of the Corporation hereafter created specifically ranking by its

EXHIBIT 3.1(a)

terms junior to any Class B Convertible Preferred Stock of whatever subdivision (collectively, with the Common Stock, "Junior Securities"); (v) on parity with any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms on parity with the Class B Convertible Preferred Stock ("Parity Securities") in each case as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary (all such distributions being referred to collectively as "Distributions").

SECTION 3. DIVIDENDS. The holders of the Class B Convertible Preferred Stock ("Holders") shall not be entitled to receive cash dividends on the Class B Convertible Preferred Stock.

SECTION 4. LIQUIDATION PREFERENCE.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the Holders of shares of Class B Convertible Preferred Stock shall be entitled to receive, immediately after any distributions to Senior Securities required by the Corporation's Articles of Incorporation, as amended and restated, or any certificate of designation of preferences, and prior and in preference to any distribution to Junior Securities but in parity with any distribution of Parity Securities, an amount per share equal to the sum of (i) One Thousand Dollars ($1,000) for each outstanding share of Class B Convertible Preferred Stock (the "Original Class B Issue Price") and (ii) an amount equal to ten percent (10%) of the Original Class B Issue Price per annum for the period that has passed since the date of issuance of any Class B Convertible Preferred Stock (such amount being referred to herein as the "Premium"). If upon the occurrence of such event, and after payment in full of the preferential amounts with respect to the Senior Securities, the assets and funds thus distributed among the Holders of the Class B Convertible Preferred Stock and Parity Securities, respectively, then the entire assets and funds of the Corporation legally available for distribution shall be distributed among the Holders of the Class B Convertible Preferred Stock and the Parity Securities, pro rata, based on the respective liquidation amounts to which each such series of stock is entitled by the Corporation's Articles of Incorporation, as amended and restated, and any certificate of determination of preferences.

(b) Upon the completion of the distribution required by subsection 4(a), if assets remain in this Corporation, they shall be distributed to holders of Junior Securities in accordance with the Corporation's Articles of Incorporation, as amended and restated, including any duly adopted certificate(s) of determination of preferences.

(c) A consolidation or merger of the Corporation with or into any other corporation or corporations, or a sale, conveyance or disposition of all or substantially all of the assets of the Corporation or the effectuation by the Corporation of a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Corporation is disposed of (collectively referred to as a "Change in Control Transaction"), shall be deemed to be a liquidation, dissolution or winding up within the meaning of this Section 4; provided, however, that the Corporation shall provide written notice to the Holders of the Class B Convertible Preferred Stock of a Change in Control Transaction and the Holders of the Class B Convertible Preferred Stock shall be entitled to convert the Class B Convertible Preferred Stock held by such Holder pursuant to the provisions of Section 5 hereof, at any time before five (5) days prior to any Change in Control Transaction.

SECTION 5. CONVERSION. The record Holders of this Class B Convertible Preferred Stock shall have conversion rights as follows (the "Conversion Rights"):

(a) RIGHT TO CONVERT. Immediately after the date of the last closing of a sale and purchase of Class B Convertible Preferred Stock, which date shall not be later than January 15, 1996, (the "Last Closing Date"), continuing through the first 90 days, each record Holder of Class B Convertible Preferred Stock shall be entitled and subject to the Corporation's right of redemption set forth in Section 6(a) and Section 6(b), at the office of the Corporation or the transfer agent for the Class B Convertible Preferred Stock, to convert portions of the Class B Convertible Preferred Stock held by such Holder (but only in multiples of Fifty Thousand Dollars ($50,000)) into that number of fully-paid and non-assessable shares of Common Stock of the Corporation calculated in accordance with the following formula:

110% of the Fixed Conversion Price (as defined herein).

Beginning 91 days after the last closing date, each record Holder of Class B Convertible Preferred Stock shall be entitled (at the times and in the amounts set forth below), and, subject to the Corporation's right of redemption set forth in Section 6(a) and Section 6(b), at the office of the Corporation or the transfer agent for the Class B Convertible Preferred Stock, to convert portions of the Class B Convertible Preferred Stock held by such Holder (but only in multiples of Fifty Thousand Dollars ($50,000) into that number of fully-paid and non-assessable shares of Common Stock of the Corporation calculated in accordance with the following formula (the "Conversion Rate"):

Number of shares issued upon conversion of one share of Class B Convertible Preferred Stock

$$= \frac{(.10\ (N/365)\ (1{,}000) + 1{,}000}{\text{Conversion Price}}$$

where,

N = the number of days between (i) the last closing date, as defined herein, and (ii) the applicable date of conversion for the shares of Class B Convertible Preferred Stock for which conversion is being elected, and

Conversion Price = the lesser of (x) the average Closing Bid Price, as that term is defined below, for the five trading days ending on December 8, 1995 (which amount is $3.06875 and is referred to herein as the "Fixed Conversion Price"), or (y) X times the average Closing Bid Price, as that term is defined below, of the Corporation's Common Stock for the five (5) trading days immediately preceding the Date of Conversion, as defined below, where X shall equal .85 + (1-(the average Closing Bid Price of the Corporation's Common Stock for the five (5) trading days immediately preceding the Date of Conversion, as that term is defined below, divided by the average Closing Bid Price of the Corporation's Common Stock for the ten (10) trading days immediately preceding the Date of Conversion); provided that, in no event shall X be less than .85 or greater than 1.0.

For purposes hereof, the term "Closing Bid Price" shall mean the closing bid price on the over-the-counter market as reported by NASDAQ, or if then traded on a national securities exchange, the NASDAQ Small Cap or the National Market System, the closing bid price on the principal national securities exchange, the NASDAQ Small Cap or the National Market System which it is so traded.

(b) MECHANICS OF CONVERSION. In order to convert Class B Convertible Preferred Stock into full shares of Common Stock, the Holder shall (i) fax a copy of the fully executed notice of conversion in the form attached hereto ("Notice of Conversion") to the Company at such office that he elects to convert the same, which Notice of Conversion shall specify the number of shares of Class B Convertible Preferred Stock to be converted and shall contain a calculation of the Conversion Rate (together with a copy of the first page of each certificate to be converted) to the Company or its designated transfer agent prior to Midnight, New York City time (the "Conversion Notice Deadline") on the date of conversion specified on the Notice of Conversion and
(ii) surrender the original certificate or certificates therefor, duly endorsed, and the original Notice of Conversion no later than the close of business (New York City time) the next business day to a common courier, for either overnight courier or 2-day courier, to the office of the Company and any transfer agent for the Class B Convertible Preferred Stock; provided, however, that the Company shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless either the certificates evidencing such Class B Convertible Preferred Stock are delivered to the Company or its transfer agent as provided above, or the Holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed.

(i) LOST OR STOLEN CERTIFICATES. Upon receipt by the Company of evidence of the loss, theft, destruction or mutilation of a certificate or certificates ("Stock Certificates") representing shares of Class B Convertible Preferred Stock, and (in the case of loss, theft or destruction) of indemnity or security reasonably satisfactory to the Company, and upon surrender and cancellation of the Stock Certificate(s), if mutilated, the Company shall execute and deliver new Stock Certificate(s) of like tenor and date.

(ii) NO FRACTIONAL SHARES. If any conversion of the Class B Convertible Preferred Stock would create a fractional share of Common Stock or a right to acquire a fractional share of Common Stock, such fractional share shall be disregarded and the number of shares of Common Stock issuable upon conversion shall be the next higher number of shares. In the case of a dispute as to the calculation of the Conversion Rate, the Company's calculation shall be deemed conclusive absent manifest error.

(iii) COMPANY TO REISSUE/DELIVER SHARES. The Company shall use all reasonable efforts to issue and deliver within three
(3) business days after delivery to the Company of such certificates, or after such agreement and indemnification, to such Holder of Class B Convertible Preferred Stock at the address of the Holder on the Books of the Company, a certificate or certificates for the number of shares of Common Stock to which the Holder shall be entitled as aforesaid.

(iv) DATE OF CONVERSION. The date on which conversion occurs (the "Date of Conversion") shall be deemed to be the date set forth in such Notice of Conversion,

provided (i) that the advance copy of the Notice of Conversion is faxed to the Company before midnight, New York City time, on the Date of Conversion, and (ii) that the original Stock Certificates representing the shares of Class B Convertible Preferred Stock to be converted are surrendered no later than the close of business (New York City time) the next business day to a common courier for overnight or 2-day delivery, and received by the transfer agent or the Company within five (5) business days thereafter. If the original Stock Certificates representing the Class B Convertible Preferred Stock to be converted are not received by the transfer agent or the Company within five (5) business days after the Date of Conversion or if the facsimile of the Notice of Conversion is not received by the Company or its designated transfer agent prior to the Conversion Notice Deadline, the Notice of Conversion, at the Company's option, may be declared null and void.

(v) The person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock on such date.

Following conversion of shares of Class B Convertible Preferred Stock, such shares of Class B Convertible Preferred Stock will no longer be outstanding.

(c) RESERVATION OF STOCK ISSUABLE UPON CONVERSION. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the Class B Convertible Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding Class B Convertible Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of Class B Convertible Preferred Stock, the Corporation will, subject to shareholder approval, take all such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

(d) AUTOMATIC CONVERSION. Each share of Class B Convertible Preferred Stock outstanding on December 15, 1998 automatically shall be converted into Common Stock on such date at the Conversion Rate then in effect (calculated in accordance with the formula in Section 5(a) above) and December 15, 1998 shall be deemed the Date of Conversion with respect to such conversion.

(e) ADJUSTMENT TO CONVERSION RATE.

(A) If, prior to the conversion of all of the Class B Convertible Preferred Stock, the number of outstanding shares of Common Stock is increased by a stock split, stock dividend, or other similar event, the Conversion Rate shall be proportionately adjusted, or if the number of outstanding shares of Common Stock is decreased by a combination or reclassification of shares, or other similar event, the Conversion Rate shall be proportionately adjusted.

(B) If, prior to the conversion of all Class B Convertible Preferred Stock, there shall be any merger, consolidation, exchange of shares, recapitalization, reorganization, or other similar event, as a result of which shares of Common Stock of the

Corporation shall be changed into the same or a different number of shares of the same or another class or classes of stock or securities of the Corporation or another entity, then the Holders of Class B Convertible Preferred Stock shall thereafter have the right to purchase and receive upon conversion of Class B Convertible Preferred Stock, upon the basis and upon the terms and conditions specified herein and in lieu of the shares of Common Stock immediately theretofore issuable upon conversion, such shares of stock and/or securities as may be issued or payable with respect to or in exchange for the number of shares of Common Stock immediately theretofore purchasable and receivable upon the conversion of Class B Convertible Preferred Stock held by such Holders had such merger, consolidation, exchange of shares, recapitalization or reorganization not taken place, and in any such case appropriate provisions shall be made with respect to the rights and interests of the Holders of the Class B Convertible Preferred Stock to the end that the provisions hereof (including, without limitation, provisions for adjustment of the Conversion Rate and of the number of shares issuable upon conversion of the Class B Convertible Preferred Stock) shall thereafter be applicable, as nearly as may be practicable in relation to any shares of stock or securities thereafter deliverable upon the exercise hereof. The Corporation shall not effect any transaction described in this subsection 5(e) unless the resulting successor or acquiring entity (if not the Corporation) assumes by written instrument the obligation to deliver to the Holders of the Class B Convertible Preferred Stock such shares of stock and/or securities as, in accordance with the foregoing provisions, the Holders of the Class B Convertible Preferred Stock may be entitled to receive upon conversion of the Class B Convertible Preferred Stock.

(C) If any adjustment under this
Section 5(e) would create a fractional share of Common Stock or a right to acquire a fractional share of Common Stock, such fractional share shall be disregarded and the number of shares of Common Stock issuable upon conversion shall be the next higher number of shares.

SECTION 6. CASH REDEMPTION BY CORPORATION.

(a) CORPORATION'S RIGHT TO REDEEM UPON RECEIPT OF NOTICE OF CONVERSION. The Corporation shall have the right, in its sole discretion, upon receipt of a Notice of Conversion pursuant to Section 5, to redeem in whole or in part any Class B Convertible Preferred Stock submitted for conversion, immediately prior to conversion. If the Corporation elects to redeem some, but not all, of the Class B Convertible Preferred Stock submitted for conversion, the Corporation shall redeem from among the Class B Convertible Preferred Stock submitted by the various Holders thereof for conversion on the applicable date, a pro-rata amount from each Holder so submitting Class B Convertible Preferred Stock for conversion. The Corporation shall effect each such redemption by giving notice ("Notice of Redemption Upon Receipt of Notice of Conversion") of its election to redeem, by facsimile within one (1) business day following receipt of a Notice of Conversion from a Holder, with a copy by 2-day courier, (A) to the Holders of Class B Convertible Preferred Stock selected for redemption, at the address and facsimile number of such Holder appearing in the Corporation's register for the Class B Convertible Preferred Stock and (B) the Corporation's transfer agent. Such Notice of Redemption Upon Receipt of Notice of Conversion shall indicate the number of shares of Holder's Class B Convertible Preferred Stock that have been selected for redemption, the Date of Redemption Upon Receipt of Notice of Conversion (as defined below) and the applicable Redemption Price Upon Receipt of Notice of Conversion, as defined below. If the Notice of Redemption Upon Receipt of Notice of Conversion is not received within the times specified

above or does not meet the conditions specified above, the Notice of Redemption Upon Receipt of Notice of Conversion shall become null and void (unless otherwise agreed in writing by the Holder). The Corporation shall not be entitled to send any Notice of Redemption upon Receipt of Notice of Conversion and begin the redemption procedure unless it has (x) the full amount of the Redemption Price Upon Receipt of Notice of Conversion, in cash, available in a demand or other immediately available account in a bank or similar financial institution or (y) immediately available credit facilities, in the full amount of the Redemption Price Upon Receipt of Notice of Conversion, with a bank or similar financial institution on the date the Notice of Redemption Upon Receipt of Notice of Conversion is sent to the applicable Holder.

The Redemption Price Upon Receipt of Notice of Conversion per share of Class B Convertible Preferred Stock shall equal the Closing Bid Price on the Date of Conversion, multiplied by the number of shares of Common Stock that would otherwise have been issuable had the shares of Class B Convertible Preferred Stock redeemed been converted on the Date of Conversion as to such shares.

For the purposes of the above formula, "N", "Closing Bid Price" and "Conversion Price" shall have the meanings set forth in Section 5(a) and "Date of Redemption" shall be deemed to be the Conversion Date (as that term is defined in Section 5(b) above).

The Redemption Price Upon Receipt of Notice of Conversion shall be paid to the Holder of Class B Convertible Preferred Stock redeemed within ten (10) business days of the delivery of the Notice of Redemption Upon Receipt of Notice of Conversion to such Holder; provided, however, that the Corporation shall not be obligated to deliver any portion of the Redemption Price Upon Receipt of Notice of Conversion unless either the certificates evidencing the Class B Convertible Preferred Stock redeemed are delivered to the Corporation or the transfer agent as provided in Section 5(b), or the Holder notifies the transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. Notwithstanding the foregoing, in the event that the certificates evidencing the Class B Convertible Preferred Stock delivered to the transfer agent as provided in Section 5(b), the redemption of the Class B Convertible Preferred Stock pursuant to this Section 6(a) shall still be deemed effective as of the Date of Redemption Upon Receipt of Notice of Conversion.

(b) CORPORATION'S RIGHT TO REDEEM AT ITS ELECTION. Commencing 91 days after the last closing date, the Corporation shall have the right, in its sole discretion, to redeem, from time to time, any or all of the Class B Convertible Preferred Stock; provided that, the Corporation shall only be entitled to redeem shares of Class B Convertible Preferred Stock with an aggregate Stated Value (as defined below) of at least One Million Five Hundred Thousand Dollars ($1,500,000) on the first such redemption. If the Corporation elects to redeem some, but not all, of the Class B Convertible Preferred Stock, the Corporation shall redeem a pro-rata amount from each Holder of Class B Convertible Preferred Stock. The Corporation shall effect each such redemption by giving at least thirty (30) days prior written notice by overnight or 2-day courier ("Notice of Redemption At Corporation's Election") to (A) the Holders of Class B Convertible Preferred Stock selected for redemption, at the address and facsimile number of such Holder appearing in the Corporation's register for the Class B Convertible Preferred Stock and (B) the transfer agent, which Notice of Redemption At Corporation's Election shall be deemed to have been delivered three (3) business days after the

Corporation's mailing of such Notice of Redemption At Corporation's Election. Such Notice of Redemption At Corporation's Election shall indicate the number of shares of Holder's Class B Convertible Preferred Stock that have been selected for redemption, the date which such redemption is to become effective (the "Date of Redemption At Corporation's Election" and the applicable Redemption Price At Corporation's Election, as defined below. The Corporation shall not be entitled to send any Notice of Redemption At Corporation's Election and begin the redemption ,procedure unless it has (x) the full amount of the Redemption Price At Corporation's Election, in cash, available in a demand or other immediately available account in a bank or similar financial institution or (y) immediately available credit facilities, in the full amount of the Redemption At Corporation's Election, with a bank or similar financial institution on the date the Notice of Redemption At Corporation's Election is delivered to the applicable Holder. Notwithstanding the above, the Holder may convert any or all of its Class B Convertible Preferred Stock that is eligible for conversion, which would otherwise be subject to redemption under this Section 6(b), by submitting a Notice of Conversion prior to the effective date of such redemption. Corporation is not entitled to require redemption under this Section 6(b) if the Corporation makes any planned press release either (a) on the effective date of redemption or (b) prior to the close of trading on the following business day. Additionally, the Corporation shall not be permitted to elect redemption under this Section 6(b) if the Corporation has in its possession material information concerning the Corporation which is required to be publicly disclosed pursuant to the rules and regulations of the Securities Exchange Act of 1934 or relevant self-regulatory organization and has not yet been disclosed. In the event the Corporation is deemed to be in possession of such undisclosed information subsequent to it providing Notice of Redemption, the date upon which the Corporation can require the holders of the Class B Convertible Preferred Stock to redeem shall be 15 days following the date of any press release or other public disclosure.

For purposes of this Section 6(b), "Stated Value" shall mean the Original Class B Issue Price of the shares of Class B Convertible Preferred Stock redeemed pursuant to this Section 6(b), plus the accrued but unpaid Premium (as defined in Section 4(a)) on such shares of Class B Convertible Preferred Stock, as of the date of Redemption At Corporation's Election.

The Redemption Price At Corporation's Election shall be calculated as a percentage of Stated Value of the shares of Class B Convertible Preferred Stock redeemed pursuant to this Section 6(b), which percentage shall vary depending on the date of delivery of the Notice of Redemption at Corporation's Election, and shall be determined as follows:

Date of Delivery of Notice of Redemption at Corporation's Election	% of Stated Value
91 days to 6 months following last closing date	130%
6 months and 1 day to 12 months following last closing date	125%
12 months and 1 day to 18 months following last closing date	120%
18 months and 1 day to 24 months following last closing date	115%
24 months and 1 day to 30 months following last closing date	110%
30 months and 1 day to 36 months following last closing date	105%

The Redemption Price At Corporation's Election shall be paid to the Holder of Class B Convertible Preferred Stock redeemed within ten (10) business days of the Date of Redemption At Corporation's Election to such Holder; provided, however, that the Corporation shall not be

obligated to deliver any portion of the Redemption Price At Corporation's Election unless either the certificates evidencing the Class B Convertible Preferred Stock redeemed are delivered to the transfer agent prior to the 10th business day following the Date of Redemption At Corporation's Election, or the Holder notifies the transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. Notwithstanding the foregoing, in the event that the certificates evidencing the Class B Convertible Preferred Stock redeemed are not delivered to the transfer agent, prior to the 10th business day following the Date of Redemption at Corporation's Election, the redemption of the Class B Convertible Preferred Stock pursuant to this Section 6(b) shall still be deemed effective as of the date of Redemption at Corporation's Election, and the Redemption Price At Corporation's Election shall be paid to the Holder of Class B Preferred Stock redeemed within 5 business days of the date the certificates evidencing the Class B Preferred Stock redeemed are actually delivered to the transfer agent.

SECTION 7. ADVANCE NOTICE OF REDEMPTION.

(a) HOLDER'S RIGHT TO ELECT TO RECEIVE NOTICE OF CASH REDEMPTION BY CORPORATION. Holder shall have the right to require Corporation to provide advance notice stating whether Corporation will elect to redeem Holder's shares in cash, pursuant to Corporation's redemption rights discussed in Section 6.

(b) MECHANICS OF HOLDER'S ELECTION NOTICE. Holder shall send notice to Corporation by facsimile ("Election Notice") stating Holder's intention to require Corporation to disclose that if Holder were to exercise his, her or its right of conversion (pursuant to section 5) whether Corporation would elect to redeem Holder's convertible Security for cash in lieu of issuing Common Stock. Corporation is required to disclose to Holder what action Corporation would take over the subsequent five day period, including the date Corporation receives such Election Notice.

(c) CORPORATION'S RESPONSE. Corporation must respond within one business day of receipt of Holder's Election Notice (1) via facsimile and (2) via overnight courier. If Corporation does not respond to Holder within one business day via facsimile and overnight courier, Corporation shall be required to issue to Holder Common Stock upon Holder's conversion within the subsequent five day period.

SECTION 8. VOTING RIGHTS. Except as otherwise provided by the California General Corporation Law ("California Law"), the Holders of the Class B Convertible Preferred Stock shall have no voting power whatsoever, and no Holder of Class B Convertible Preferred Stock shall vote or otherwise participate in any proceeding in which actions shall be taken by the Corporation or the shareholders thereof or be entitled to notification as to any meeting of the shareholders.

To the extent that under California Law the vote of the Holders of the Class B Convertible Preferred Stock, voting separately as a class, is required to authorize a given action of the Corporation, the affirmative vote or consent of the Holders of at least a majority of the outstanding shares of the Class B Convertible Preferred Stock at a duly held meeting at which a quorum is present or by written consent of a majority of the shares of Class B Convertible Preferred Stock (except as otherwise maybe required under California Law) shall constitute the

approval of such action by the class. To the extent that under California Law the Holders of the Class B Convertible Preferred Stock are entitled to vote on a matter with Holders of Common Stock, voting together as one class, each share of Class B Convertible Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which it is then convertible using the record date for the taking of such vote of shareholders as the date as of which the Conversion Price is calculated. Holders of the Class B Convertible Preferred Stock shall be entitled to notice of all shareholder meetings or written consents with respect to which they would be entitled to vote, which notice would be provided pursuant to the Corporation's by-laws and applicable statutes.

SECTION 9. PROTECTIVE PROVISIONS. So long as shares of Class B Convertible Preferred Stock are outstanding, the Corporation shall not without first obtaining the approval (by vote or written consent, as provided by California Law) of the Holders of at least a majority of the then outstanding shares of Class B Convertible Preferred Stock;

(a) alter or change the rights, preferences or privileges of the shares of Class B Convertible Preferred Stock or any Senior Securities so as to affect adversely the Class B Convertible Preferred Stock;

(b) create any new class or classes or series of stock having a preference over the Class B Convertible Preferred Stock with respect to Distributions (as defined in Section 2 above); or

(c) do any act or thing not authorized or contemplated by this Determination which would result in taxation of the Holders of shares of the Class B Convertible Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (or any comparable provision of the Internal Revenue Code as hereafter from time to time amended).

SECTION 10. STATUS OF REDEEMED OR CONVERTED STOCK. In the event any shares of Class B Convertible Preferred Stock shall be redeemed or converted pursuant to Section 5 or Section 6 hereof, the shares so converted or redeemed shall be canceled, shall return to the status of authorized but unissued Preferred Stock of no designated series and shall not be issuable by the Corporation as Class B Convertible Preferred Stock.

SECTION 11. PREFERENCE RIGHTS. Nothing contained herein shall be construed to prevent the Board of Directors of the Corporation from issuing one or more series of Preferred Stock with dividend and/or liquidation preferences equal to or junior to the dividend and liquidation preferences of the Class B Convertible Preferred Stock.

FURTHER RESOLVED, that the statements contained in the foregoing resolutions creating and designating the said Class B Convertible Preferred Stock and fixing the number, powers, preferences and relative, optional, participating, and other special rights and the qualifications, limitations, restrictions, and other distinguishing characteristics thereof shall, upon the effective date of said Class, be deemed to be included in and be a part of the Articles of Incorporation, as amended and restated, of the Corporation pursuant to the provisions of the California General Corporation Law."

4. The authorized number of shares of Class B Convertible Preferred Stock is 10,000, none of which has been issued."

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this Certificate are true and correct of our knowledge.

IN WITNESS WHEREOF, the undersigned have executed this Certificate this 1st day of December, 1995.

/s/ Lon H. Stone

Lon H. Stone, President

/s/ William V. Moding
- ---
William V. Moding, Secretary

NOTICE OF CONVERSION

(To be Executed by the Registered Holder
in order to Convert the Preferred Stock)

The undersigned hereby irrevocably elects to convert _____ shares of Class B Convertible Preferred Stock, represented by stock certificate No(s). _____ (the "Preferred Stock Certificates") into shares of common stock ("Common Stock") of Techniclone International Corporation, (the "Corporation") according to the conditions of the Certificate of Determination of Class B Convertible Preferred Stock, as of the date written below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

The undersigned represents and warrants that all offers and sales by the undersigned of the shares of Common Stock issuable to the undersigned upon conversion of the Class B Convertible Preferred Stock shall be made in compliance with Regulation S, pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "Act") or pursuant to an exemption from registration under the Act.

Conversion Calculations:

_____
Date of Conversion

_____
Applicable Conversion Price

_____
Signature

_____

Name

Address:

_____

_____

* No shares of Common Stock will be issued until the original Class B Convertible Preferred Stock Certificate(s) to be converted and the Notice of Conversion are received by the Transfer Agent.

MERGER AGREEMENT

THIS MERGER AGREEMENT ("Merger Agreement") is made and entered into as of the 10th day of June 1994 by and between TECHNICLONE INTERNATIONAL CORPORATION, a California corporation ("Company"), and CANCER BIOLOGICS INCORPORATED, a California corporation ("CBI").

R E C I T A L S :

A. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has full corporate powers and authority to carry on its business as presently conducted and to enter into this Agreement.

B. CBI is a corporation duly organized, validly existing and in good standing under the laws of California and has full corporate power and authority to carry on its business as presently conducted and to enter into this Agreement.

C. The respective boards of directors of Company and CBI deem it advisable and in the best interests of Company and CBI and their respective shareholders that CBI be merged with and into Company as authorized by the provisions of this Merger Agreement and the laws of the State of California, and each such board of directors has duly approved this Merger Agreement. The Company, as the corporation surviving such merger, is hereinafter sometimes referred to as the "Surviving Corporation."

D. The shareholders of CBI have duly approved, in accordance with the applicable laws of the State of California, the principal terms and provisions of (i) the Agreement and Plan of Merger dated January 18, 1994 between CBI and Company providing for certain representations, warranties, covenants and conditions in connection with the merger (the "Agreement") and
(ii) this Merger Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements herein set forth and for the purpose of prescribing the terms and conditions of such merger, the parties hereto agree as follows:

1. MERGER

CBI shall be merged into the Company, and the separate existence of CBI shall cease upon consummation of the merger at the effective time thereof (as defined in Section 2 hereof).

2. EFFECTIVE TIME

The merger shall become effective (the "Effective Time") at the time of the filing, in the office of the Secretary of State of the State of California, of an executed copy of this Agreement and all requisite accompanying certificates.

EXHIBIT 3.1(b) 19

3. NAME OF SURVIVING CORPORATION

At the Effective Time, the name of the Surviving Corporation shall be Techniclone International Corporation.

4. ARTICLES OF INCORPORATION

The Articles of Incorporation of Company, as in effect immediately prior to the Effective Time of the merger, shall continue in effect as the Articles of Incorporation of the Company following the merger.

5. BYLAWS

The Bylaws of the Company, as in effect immediately prior to the Effective Time of the merger, shall continue in effect as the Bylaws of Company after the merger.

6. OFFICERS AND DIRECTORS

(a) The officers of the Company and CBI immediately prior to the effectiveness of the merger shall, at the Effective Time, continue as officers of Company, with appropriate changes in titles to eliminate duplication.

(b) At the Effective Time, the directors of Company, prior to the merger, shall continue in their positions as directors of Company.

(c) The directors of the Company shall serve until removed as provided by law or until the election of their respective successors. Any vacancy existing on the board of directors of the Company, after the Effective Time of the merger, shall be filled in the manner provided by the Bylaws of the surviving corporation.

7. CONVERSION OF SHARES

(a) Each share of CBI Common Stock outstanding immediately prior to the Effective Time of the merger, and all rights with respect thereto, shall, by virtue of the merger and without any action on the part of the holder thereof or any other person, be cancelled and cease to exist as a share of CBI, and shall be converted into the right to receive one share of fully paid and nonassessable Common Stock of the Company, without par value, except for shares of CBI Company Stock held by Company, which shall be cancelled at the Effective Time.

(b) Each holder of a certificate representing shares of CBI Common Stock, other than Company, shall, upon presentation of such certificate for surrender to Company be entitled to receive in exchange therefor, a certificate or certificates representing the number of shares of Company Common Stock to which such holder shall be entitled as aforesaid. Until so surrendered, each outstanding certificate which prior to the merger represented shares of CBI Common Stock shall be deemed, for all corporate purposes, to evidence ownership of the number of shares of Company Common Stock into which such shares of CBI Common Stock have been converted pursuant to paragraph 7(a) above, except that the holder thereof shall not be entitled to exercise any rights of a shareholder of Company until such certificate shall be surrendered. No dividends declared with

respect to such Company shares shall be paid to the holder of any unsurrendered certificate of CBI Common Stock until such holder shall surrender such certificate as aforesaid, at which time the holder shall be paid the amount of dividends, if any, without interest, which theretofore became payable with respect to the shares of Company Common Stock exchangeable for the shares of CBI Common Stock evidenced by such certificate. Shares of Company Common Stock shall be issued to the holders of lost or destroyed shares of CBI upon presentation to Company of such evidence of ownership and agreement of indemnity as Company may reasonably require.

(c) The stock transfer books of CBI pertaining to CBI Common Stock outstanding at the Effective Time of the merger shall be closed at the Effective Time of the merger and thereafter no transfer of any such shares of CBI Common Stock shall be recorded thereon. In the event a transfer of ownership of shares of CBI Common Stock is not recorded on the stock transfer books of CBI, a certificate or certificates representing the number of whole shares of Company Common Stock into which such shares of CBI Common Stock shall have been converted in connection with the merger may be issued to the transferee of such shares of CBI Common Stock if on surrender thereof such certificate is accompanied by all documents deemed necessary by Company to evidence and effect such transfer of ownership of shares of CBI Common Stock and by the payment of any applicable stock transfer tax with respect to such transfer.

(d) The shares of Company Common Stock outstanding immediately prior to the Effective Time of the merger shall remain outstanding and shall not be affected by the consummation of the merger.

8. EMPLOYEE STOCK OPTIONS

At the Effective Time, the Company will assume CBI's option plan entitled Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan - 1987 (the "Plan), and all of the obligations thereunder, including each of the outstanding stock options previously granted under the Plan (each such option existing immediately prior to the Effective Time being an "Existing Option" and each such option so assumed by the Company being called an "Assumed Option"), by which such assumption the optionee shall have the right to purchase one share of Company Common Stock for each share of Common Stock of CBI the optionee was entitled to purchase under such Existing Option. Each Assumed Option, subject to such modifications as may be required, shall constitute a continuation of the Existing Option substituting the Company for CBI. The price per share of Company Common Stock at which the Assumed Option (or any installment) may be exercised shall be the same price as applicable to the purchase of the CBI Common Stock pursuant to the Existing Option and all other terms and conditions applicable to the Assumed Options shall, except as herein provided, be unchanged. Each option granted under the Plan from and after the Effective Time shall evidence a right to purchase shares of Common Stock of the Company, rather than of CBI, and the Plan shall be so modified, otherwise that Plan shall remain unchanged.

9. TRANSFER OF ASSETS

Under the provisions of this Agreement, Company shall continue in existence and shall succeed, without the necessity of any other transfer, to all the rights, privileges, powers and franchises of CBI and the properties of CBI, real, personal and mixed, and shall be subject to all of the debts and liabilities of CBI in the same manner as if it had itself incurred them.

10. TERMINATION

This Agreement may be abandoned at any time before or after adoption or approval thereof by the outstanding shares of CBI, but not after the Effective Time of the merger and only by the consent of the respective boards of directors of CBI and Company. This Merger Agreement shall automatically be terminated if prior to the Effective Time of the merger, the Agreement is terminated in accordance with Section 4.2 thereof.

11. OTHER PROVISIONS WITH RESPECT TO THE MERGER

(a) The Company and CBI, by mutual consent of their respective boards of directors, to the extent permitted by law, may amend, modify, supplement and interpret this Merger Agreement in such manner as may be mutually agreed upon by them in writing at any time and, in the case of an interpretation, the actions of such boards of directors shall be binding; provided, however, that no amendment, modification or supplement shall affect the rights of the shareholders of either CBI or Company in any manner which is materially adverse to such shareholders in the judgment of such respective boards of directors.

(b) If at any time after the Effective Time of the merger Company shall consider or be advised that any further assignment or assurance in law or other action is necessary or desirable to vest, perfect or confirm, of record or otherwise, in Company the title to any property or rights of either of CBI acquired or to be acquired as a result of the merger, the proper officers and directors of CBI immediately prior to the Effective Time of the merger shall be, and they hereby are, severally and fully authorized to execute and deliver such deeds, assignments and assurances in law and to take such other actions as may be necessary or proper in the name of CBI to vest, perfect or confirm title to such property or rights in Company, the surviving corporation, and otherwise to carry out the purposes of this Merger Agreement.

(c) The captions of this Merger Agreement are for convenience of reference only and shall not restrict or modify the meaning of any terms or provisions hereof.

(d) Whenever the context of this Merger Agreement requires, the gender of all words used herein shall include the masculine, feminine and neuter, and the number of all words shall include the singular and plural.

(e) Unless otherwise provided in the Agreement or this Merger Agreement, the terms and provisions of this Merger Agreement shall govern in the event of any conflict between the terms and provisions of the Agreement and this Merger Agreement.

(f) This Merger Agreement may be executed in counterparts, each of which when so executed shall be deemed an original and such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, CBI and Company, pursuant to approval and authority duly given by resolutions adopted by their respective boards of directors, have each caused this Merger Agreement to be executed by its Chairman of the Board or President.

TECHNICLONE INTERNATIONAL
CORPORATION, a California corporation

By: /s/ Lon H. Stone

Lon H. Stone, Chairman of the Board

/s/ R.C Shepard
- ---
R.C. Shepard, Assistant Secretary

CANCER BIOLOGICS INCORPORATED, a
California corporation

By: /s/ Lon H. Stone

Lon H. Stone, President

/s/ R.C Shepard
- ---
R.C. Shepard, Assistant Secretary

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF
TECHNICLONE INTERNATIONAL CORPORATION,

A CALIFORNIA CORPORATION

The undersigned, LON H. STONE and WILLIAM V. MODING, hereby certify as follows:

1. They are the duly elected and acting President and Secretary, respectively, of TECHNICLONE INTERNATIONAL CORPORATION, a California corporation (the "Corporation").

2. The Articles of Incorporation of this Corporation are hereby amended and restated to read in full as follows:

"ARTICLE I

The name of this Corporation is TECHNICLONE INTERNATIONAL CORPORATION.

ARTICLE II

The purpose of this Corporation is to engage in any lawful act or activity for which a Corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

ARTICLE III

This Corporation is authorized to issue two classes of stock to be designated "Common Stock" and "Preferred Stock", respectively. The total number of shares that this Corporation is authorized to issue is Thirty Million One Hundred Thousand (30,100,000) shares. Thirty Million (30,000,000) shares shall be Common Stock, no par value, and One Hundred Thousand (100,000) shares shall be Preferred Stock, $1.00 par value per share. The Preferred Stock shall be divided into series. The first series shall consist of 10,000 shares and shall be designated "Class A Convertible Preferred Stock" (the "Class A Stock").

The remaining Preferred Stock may be issued from time to time in one or more series. Subject to the rights as hereinafter set forth of the holders of the Class A Stock the Board of Directors of the Corporation is hereby authorized to determine the number of series into which the shares of Preferred Stock may be divided, and (except to the extent such matters are fixed by the Articles of Incorporation) to determine and alter the rights, preferences, privileges and restrictions

EXHIBIT 3.1(C) 24

granted to or imposed upon any wholly unissued series of Preferred Stock, to fix the designation and number of shares constituting any series prior to the issue of shares of that series and to increase or decrease, within the limits stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series (but not below the number of shares of such series then outstanding), the number of shares of any such series subsequent to the issue of shares of that series.

The powers, preferences and rights of, and the qualifications, limitations or restrictions on, the Class A Stock are as follows:

1. DIVIDENDS. The holders of Class A Stock shall be entitled to receive out of funds legally available therefor, a dividend in an amount equal to any dividends payable to holders of the Common Stock of the Corporation, based on the largest number of full shares of Common Stock into which such holder's shares of Class A Stock could be converted pursuant to the Articles of Incorporation immediately prior to the record date for the payment of each such dividend. No dividend may be declared and paid upon shares of Common Stock in any fiscal year of the Corporation unless a dividend of an equal amount is simultaneously declared and paid upon all shares of Class A Stock for such fiscal year of the Corporation. Dividends shall not be cumulative and no undeclared or unpaid dividend shall bear interest.

2. LIQUIDATION, DISSOLUTION OR WINDING UP.

(a) PREFERENCE - PREFERRED STOCK. In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of each share of Class A Stock shall be entitled to be paid out of the assets of the Corporation available for distribution to holders of the Corporation's capital stock of all classes, whether such assets are capital, surplus, or earnings, before any sums shall be paid or any assets distributed among the holders of shares of Common Stock, an amount equal to $60.00 per share of Class A Stock plus any and all declared but unpaid dividends on such shares (the "Class A Preference Price"). If the assets of the Corporation shall be insufficient to permit the payment in full to all holders of the Class A Stock of their full aforesaid preferential amounts, then the entire assets of the Corporation available for such distribution shall be distributed ratably among all of the holders of the Class A Stock in proportion to each such holder's full preferential amount. After the Class A Preference Price shall have been paid in full to the holders of the Class A Stock, or funds necessary for such payment shall have been set aside by the Corporation in trust for the account of holders of the Class A Stock so as to be available for such payment, the remaining assets of the Corporation available for distribution to shareholders shall be distributed among the holders of Common Stock and Class A Stock pro-rata based on the number of shares of Common Stock they hold or have the right to obtain upon conversion of their Preferred Stock.

(b) CONSOLIDATION TREATED AS LIQUIDATION. A consolidation or merger, other than a consolidation or merger in which the holders of voting securities of the Corporation immediately before the consolidation or merger own (immediately after the consolidation or merger) voting securities of the surviving or acquiring corporation, or of a parent of such surviving or acquiring corporation, possessing more than 60% of the voting power of such surviving or acquiring corporation or parent of the corporation (a "Qualifying Merger"), or a sale of all or substantially all of the assets of the Corporation shall be regarded as a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this Section 2.

(c) ELECTION. Each holder of Class A Stock shall have the right to elect the benefits of the provisions of Section 4(h) hereof in lieu of receiving payment in liquidation, dissolution or winding up of the Corporation pursuant to Section 2(b). The election procedures shall be as provided in Section 4(h) hereof.

(d) PROPERTY. Whenever the distribution provided for herein shall be paid in property other than cash, the value of such distribution shall be the fair market value of such property as determined in good faith by the Board of Directors of the Corporation.

3. VOTING POWER. Except as otherwise required by law or as otherwise set forth herein, the shares of Class A Stock shall be voted equally with the shares of Common Stock upon the following basis: Each holder of Class A Stock shall be entitled, notwithstanding any provision hereof, to notice of any shareholders' meeting in accordance with the bylaws of this Corporation, and shall be entitled to vote, together with holders of Common Stock as a single class, with respect to any questions upon which holders of Common Stock have the right to vote. Each holder of Class A Stock shall be entitled to that number of votes equal to the largest number of whole shares of Common Stock into which such holder's shares of Class A Stock could be converted, pursuant to the provisions of Section 4 hereof, at the record date for the determination of shareholders entitled to vote on such matter or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited.

4. CONVERSION RIGHTS. The holders of the Class A Stock shall have the following conversion rights:

(a) GENERAL. Subject to and in compliance with the provisions of this Section 4, any shares of the Class A Stock may, at the option of the holder, be converted at any time or from time to time into fully-paid and nonassessable shares (calculated as to each conversion to the largest whole share) of Common Stock. The number of shares of Common Stock to which a holder of Class A Stock shall be entitled upon conversion shall be the product obtained by multiplying the applicable conversion rate (determined as provided in Section 4(b)) by the number of shares of Class A Stock being converted.

(b) CONVERSION RATE. The conversion rate per share of Class A Stock in effect at any time (the "Conversion Rate") shall be the quotient obtained by dividing $60.00 by the Conversion Price, calculated as provided in Section 4(c).

(c) CONVERSION PRICE. The initial Conversion Price shall be $1.50 (the "Conversion Price").

(d) MECHANICS OF CONVERSION. Each holder of Class A Stock, who desires to convert the same into shares of Common Stock, subject to the provisions of this paragraph (d), shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Corporation or of any transfer agent for the Common Stock, and shall give written notice to the Corporation at its principal office that such holder elects to convert the same and shall state therein the number of shares of Class A Stock being converted. Thereupon the Corporation shall promptly issue and deliver at such office to such holder a certificate or certificates for the number of shares of Common Stock to which such holder is entitled and shall promptly pay in cash all declared but unpaid dividends on the shares being converted or, if the Corporation so elects or is legally or

financially unable to pay such dividends in cash, Common Stock (valued at the Common Stock's fair market value at the time of surrender as determined in good faith by the Board). Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares to be converted (the "Conversion Date"), and the person entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Common Stock on such date. The Class A Stock may be converted in any multiple of One Hundred (100) shares or more.

(e) CASH IN LIEU OF FRACTIONAL SHARES. No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon the conversion of shares of Class A Stock. Instead of any fractional shares of Common Stock which would otherwise be issuable upon conversion of the Class A Stock, the Corporation shall pay to the holder of the shares of Class A Stock which were converted a cash adjustment in respect of such fractional shares in an amount equal to the same fraction of the market price per share of the Common Stock (as determined in a reasonable manner prescribed by the Board of Directors) at the close of business on the Conversion Date. The determination as to whether or not any fractional shares which are issuable shall be based upon the total number of shares of Class A Stock being converted at any one time by any holder thereof, not upon each share of Class A Stock being converted.

(f) DIVIDENDS. In the event the Corporation shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation other than shares of Common Stock or in assets (excluding cash dividends or distributions), then and in each such event provision shall be made so that the holders of the Class A Stock shall receive upon conversion thereof in addition to the number of shares of Common Stock receivable thereupon, the number of securities or such other assets of the Corporation which they would have received had their Class A Stock been converted into Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the Conversion Date, retained such securities or such other assets receivable by them as aforesaid during such period, giving application to all adjustments called for during such period under this Section 4 with respect to the rights of the holders of the Class A Stock.

(g) RECAPITALIZATION OR RECLASSIFICATION. If the Common Stock of the Corporation shall be changed into the same or different number of shares of any class or classes of stock of the Corporation, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend provided for elsewhere in the Articles of Incorporation, as amended, or a reorganization, merger, consolidation or sale of assets provided for elsewhere in the Articles of Incorporation, as amended), then and in each such event the holder of each share of Class A Stock shall have the right thereafter to convert such shares into the kind and amount of shares of stock and other securities and property receivable upon such reorganization, reclassification or other change by holders of the number of shares of Common Stock into which such share of Class A Stock would have been converted (taking into account all accrued and unpaid dividends and interest with respect to such Class A Stock) immediately prior to such reorganization, reclassification or change, all subject to further adjustment as provided herein.

(h) CAPITAL REORGANIZATION, MERGER OR SALE OF ASSETS. If at any time or from time to time there shall be a capital reorganization of the Common Stock or a merger or

consolidation of the Corporation with or into another corporation, or the sale of all or substantially all of the Corporation's properties and assets to any other person followed by a liquidation of the Corporation, then, as a part of such transaction, provision shall be made so that the holders of each share of the Class A Stock shall thereafter be entitled to receive the number of shares of stock or other securities or property of the Corporation, or of the successor corporation resulting from such merger or consolidation, to which a holder of Common Stock issuable upon conversion of such share of Class A Stock would have been entitled on such transaction. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 4 with respect to the rights of the holders of the Class A Stock after such transaction to the end that the provisions of this Section 4 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Class A Stock) shall be applicable after that event in as nearly equivalent a manner as may be practicable.

Notwithstanding the preceding paragraph, each holder of Class A Stock, upon the occurrence of a capital reorganization, merger or consolidation of the Corporation, or the sale of all or substantially all its assets and properties, which is deemed a liquidation pursuant to Section 2(b) above, shall have the option of electing treatment of his shares of Class A Stock under either this Section 4(h) or, to the extent applicable, Section 2 hereof. A notice of such election shall be submitted in writing to the Corporation at its principal offices no later than ten (10) days before the effective date of such event, but, if a holder fails to make any election, he shall be deemed to have elected the benefits of Section 2 hereof to the extent applicable.

(i) SALE OF SHARES BELOW CONVERSION PRICE.

(1) If at any time from March 1, 1992 to February 28, 1995 the Corporation issues or sells, or is deemed by the express provisions of this subparagraph (i) to have issued or sold, Additional Shares of Common Stock (as hereinafter defined), other than as provided above or upon a subdivision or combination of shares of Common Stock as provided in subparagraph (h) above, for an Effective Price (as hereinafter defined) less than the then existing Conversion Price for the Class A Stock (or, if an adjusted Conversion Price shall be in effect for the Class A Stock by reason of a previous adjustment, then less than such adjusted Conversion Price), then and in each such case the then existing Conversion Price for the Class A Stock shall be reduced, as of the opening of business on the date of such issue or sale, by the Corporation to the Effective Price for each such share of Additional Shares of Common Stock so issued.

(2) For the purpose of making any adjustment required under this subparagraph (i), the consideration received by the Corporation for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the net amount of cash received by the Corporation after the deduction of any expenses payable by the Corporation and any underwriting or similar commissions, compensation, or concessions paid or allowed by the Corporation in connection with such issue or sale, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, and (C) if Additional Shares of Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Corporation for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Common Stock, Convertible Securities or rights or options.

(3) For the purpose of the adjustment required under this subparagraph (i), if the Corporation issues or sells any rights or options for the purchase of, or stock or other securities convertible into, Additional Shares of Common Stock (such convertible stock or securities being hereinafter referred to as "Convertible Securities") and if the Effective Price of such Additional Shares of Common Stock is less than the Conversion Price then in effect for the Class A Stock, then in each case the Corporation shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Common Stock issuable upon exercise or conversion thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Corporation for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Corporation upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion thereof. No further adjustment of the Conversion Price for the Class A Stock shall be made as a result of the actual issuance of Additional Shares of Common Stock on the exercise of any such rights or options or the conversion of any such Convertible Securities. If any such rights or options or the conversion privilege represented by any such Convertible Securities shall expire or otherwise terminate without having been exercised, the Conversion Price for the Class A Stock adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price for the Class A Stock which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Common Stock so issued were the Additional Shares of Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion of such Convertible Securities, and such Additional Shares of Common Stock, if any, were issued or sold for the consideration actually received by the Corporation upon such exercise, plus the consideration, if any, actually received by the Corporation for the granting of all such rights or options, whether or not exercised, plus the consideration received for issuing or selling the Convertible Securities actually converted, plus the consideration if any, actually received by the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion of such Convertible Securities.

(4) For the purpose of the adjustment required under this paragraph (i), if the Corporation issues or sells any rights or options for the purchase of Convertible Securities and if the Effective Price of the Additional Shares of Common Stock underlying such Convertible Securities is less than the Conversion Price then in effect for the Class A Stock, then in each such case the Corporation shall be deemed to have issued at the time of the issuance of such rights or options the maximum number of Additional Shares of Common Stock issuable upon conversion of the total amount of Convertible Securities covered by such rights or options and to have received as consideration for the issuance of such Additional Shares of Common Stock an amount equal to the amount of consideration, if any, received by the Corporation for the issuance of such rights or options, plus the minimum amounts of consideration, if any, payable to the Corporation upon the exercise of such rights or options and plus the minimum amount of consideration, if any, payable to the Corporation (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion of such Convertible Securities. No further adjustment of the Conversion Price shall be made as a result of the actual issuance of the Convertible Securities upon the exercise of such rights or options or upon the actual issuance of Additional Shares of Common Stock upon the conversion of such Convertible Securities. The provisions of subparagraph (3) above for the readjustment of the Conversion Price for the Class

A Stock upon the expiration of rights or options or the rights of conversion of Convertible Securities shall apply mutatis mutandis to the rights, options and Convertible Securities referred to in this subparagraph (4).

(5) "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Corporation after the issuance date of the Class A Stock, whether or not subsequently reacquired or retired by the Corporation, other than (A) shares of Common Stock issued to employees or directors of or consultants and advisers to the Corporation or any Subsidiary pursuant to an existing stock purchase or stock option plans or other arrangements approved by the Board so long as the aggregate number of shares issued after the issuance date of the Class A Stock does not exceed 1,000,000 shares and (B) shares of Common Stock issued upon the exercise of warrants or convertible debentures issued by the Corporation prior to the issuance date of the Class A Stock. The "Effective Price" of Additional Shares of Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Common Stock issued or sold, or deemed to have been issued or sold by the Corporation under this paragraph (i), into the aggregate consideration received, or deemed to have been received by the Corporation for such issue under this paragraph (i), for such Additional Shares of Common Stock. If, at any time or from time to time after the issuance date of the Class A Stock the Corporation effects a subdivision or combination of the outstanding Common Stock or makes a dividend or other distribution payable in additional shares of Common Stock, then the aggregate number of shares specifically excluded from the definition of Additional Shares of Common Stock in (C) of this subparagraph (5) shall be increased or decreased appropriately to reflect such subdivision, combination, dividend, or other distribution.

(j) ACCOUNTANT'S CERTIFICATE AS TO ADJUSTMENTS. In each case of an adjustment or readjustment of the Conversion Rate, the Corporation will furnish each holder of Class A Stock with a certificate, prepared by its chief financial officer showing such adjustment or readjustment, and stating in detail the facts upon which such adjustment or readjustment is based. Upon the request of the holders of a majority of the Class A Stock, the Corporation will cause its independent public accountants to confirm the accuracy of such adjustment or readjustment.

(k) PARTIAL CONVERSION. In the event some but not all of the shares of Class A Stock represented by a certificate or certificates surrendered by a holder are converted, the Corporation shall execute and deliver to or on the order of the holder, at the expense of the Corporation, a new certificate representing the number of shares of Class A Stock which were not converted.

(l) RESERVATION OF COMMON STOCK. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Class A Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Class A Stock, and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Class A Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purpose.

5. AUTOMATIC CONVERSION.

(a) PUBLIC OFFERING. Each share of Class A Stock shall automatically be converted into shares of Common Stock based on the then effective Conversion Rate for the Class A Stock immediately upon (A) the closing of an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offering and sale of Common Stock for the account of the Corporation in which the aggregate gross proceeds received by the Corporation at the public offering price equals or exceeds $5,000,000, the public offering price per share of which equals or exceeds a price per share of Common Stock of Six Dollars ($6.00) and the obligation of the underwriters with respect to which is that if any of the securities being offered are purchased, all such securities must be purchased; (B) the commencement date of the Phase III Clinical Trials for the Corporation's LYM-1 antibody; or (C) the closing of a consolidation or merger of the Corporation with another corporation in which the Corporation is not the surviving entity, provided that the holders of Common Stock receive in cash (or cash equivalents) or marketable securities which are of a class of securities registered under
Section 12 of the Securities Exchange Act of 1934 and which are not restricted as to resale under the Securities Act of 1933, a sum equal to or in excess of Six Dollars ($6.00) per share; provided, however, that such conversion shall be conditioned upon payment, or declaration and setting aside of a sum sufficient for payment, by the Corporation of all declared but unpaid dividends on the outstanding Class A Stock payable either in cash or Common Stock (valued at the Common Stock's fair market value), or both.

(b) MECHANICS OF CONVERSION. Upon the occurrence of either event specified in paragraph (a) above, the outstanding shares of Class A Stock shall be converted automatically without any further action by the holders of such shares and whether or not the certificates representing such shares are surrendered to the Corporation or its transfer agent; provided, however, that the Corporation shall not be obligated to issue certificates evidencing the shares of Common Stock issuable upon such conversion unless the certificates evidencing such shares of Class A Stock are either delivered to the Corporation or its transfer agent as provided below, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with the certificates. Upon the occurrence of such automatic conversion of Class A Stock, the holders of Class A Stock shall surrender the certificates representing such shares at the office of the Corporation or any transfer agent for the Common Stock. Thereupon, there shall be issued and delivered to such holder promptly at such office and in its name as shown on such surrendered certificate or certificates, a certificate or certificates for the number of shares of Common Stock into which the shares surrendered were convertible on the date on which such automatic conversion occurred, and the Corporation shall promptly pay in cash or Common Stock (taken at the Common Stock's fair market value as of the date of such conversion), or both, all declared but unpaid dividends on the shares being converted.

6. NO REISSUANCE OF THE PREFERRED STOCK. No share or shares of the Class A Stock acquired by the Corporation by reason of redemption, purchase, conversion or otherwise shall be reissued. The Corporation may from time to time take such appropriate corporate action as may be necessary to reduce the authorized number of shares of the Class A Stock accordingly.

7. RESTRICTIONS AND LIMITATIONS. So long as at least 50% of the shares of the Class A Stock authorized upon the filing of this Certificate remain outstanding, the Corporation shall

not, and shall not permit any subsidiary to, without the affirmative vote or written consent by the holders of more than 50% of the outstanding shares of Class A Stock, voting as a single class:

(a) PURCHASES. Purchase, redeem or otherwise acquire (or pay into or set aside for a sinking fund for such purpose) any of the Common Stock or Preferred Stock junior to such series; provided, however, that this restriction shall not apply to the repurchase of less than $100,000 during any one year of shares of Common Stock from employees, consultants or other persons providing services to the Corporation or any of its subsidiaries pursuant to an agreement under which the Corporation has the option or the obligation to repurchase such shares upon the occurrence of certain events, including the termination of employment;

(b) DIVIDENDS. Declare or pay any dividends on or declare or make any other distribution, direct or indirect, (other than a dividend payable solely in shares of Common Stock or rights or options to purchase Common Stock) on account of the Common Stock or set apart any sum for any such purpose;

(c) SALE OF ASSETS. Effect any sale, lease, assignment, transfer or other conveyance of all or substantially all of the assets of the Corporation or any corporation more than 50% of whose outstanding voting stock is owned by the Corporation, or any consolidation or merger involving the Corporation or any of its subsidiaries (excluding any merger or consolidation solely among the Corporation and/or its wholly-owned subsidiaries and any merger in which the Corporation is the surviving entity and the shareholders of the Corporation immediately preceding the consummation of the merger hold more than 60% of the voting power of the Corporation immediately following the consummation of the merger), or any recapitalization, or any dissolution, liquidation or winding up, of the Corporation, or make any agreement or become obligated to do so, unless the obligations of the Corporation under such agreement are expressly conditioned upon the approval required by this paragraph 7;

(d) SUBSIDIARY. Except for the formation of foreign subsidiaries whose primary purpose is the distribution of the Corporation's products or any subsidiaries existing on the date hereof, acquire more than a five percent (5%) interest in any other corporation or entity; or

(e) ACCOUNTING. Adopt any material changes in the Corporation's accounting policies and procedures other than those changes deemed necessary to comply with generally accepted accounting principles consistently applied.

8. NOTICES OF RECORD DATE. In the event of any taking by the Corporation of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or to receive any other right, or any capital reorganization of the Corporation, any reclassification or recapitalization of the capital stock of the Corporation, any merger or consolidation of the Corporation, or any transfer of all or substantially all of the assets of the Corporation to any other corporation, or any other entity or person, or any voluntary or involuntary dissolution, liquidation or winding up of the Corporation, then and in each such event the Corporation shall mail or cause to be mailed to each holder of Class A Stock a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right and a description of such dividend, distribution or right,
(ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, (iii) the time, if any,

that is to be fixed, as to when the holders of record of Common Stock (or other securities) shall be entitled to exchange their shares of Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding up. Such notice shall be mailed at least 30 days prior to the date specified in such notice on which such action is to be taken.

9. COMMON STOCK. All rights accruing to the outstanding shares of this Corporation not expressly provided for to the contrary herein shall be vested in the Common Stock.

ARTICLE IV

The liability of the directors of this Corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

ARTICLE V

This Corporation is authorized to indemnify the directors and officers of this Corporation to the fullest extent permissible under California law and in excess of that otherwise permitted under Section 317 of the California Corporations Code."

3. The foregoing amendment and restatement of the articles of incorporation has been duly approved by the Board of Directors of this Corporation.

4. The foregoing amendment and restatement of the articles of incorporation has been duly approved by the required vote of shareholders in accordance with Sections 902 and 903 of the California General Corporation Law. The Corporation has two classes of stock outstanding and each class of stock is entitled to vote with respect to the foregoing amendment and restatement of the articles of incorporation. The total number of outstanding shares of Common Stock of this Corporation is 14,112,613 and the total number of outstanding shares of Class A Convertible Preferred Stock is 10,000. The number of shares voting in favor of the amendment and restatement exceeded the vote required. The percentage vote required was more than fifty percent (50%) with respect to the Common Stock and more than fifty percent (50%) with respect to the Class A Convertible Preferred Stock.

The undersigned further declares under penalty of perjury that the matters set forth in the foregoing Amended and Restated Articles of Incorporation are true and correct of their own knowledge.

Executed at Tustin, California, on June 30, 1994.

/s/ Lon H. Stone

Lon H. Stone, President

/s/ William V. Moding

William V. Moding, Secretary

TECHNICLONE INTERNATIONAL CORPORATION
A CALIFORNIA CORPORATION

REGULATION S SECURITIES SUBSCRIPTION AGREEMENT

THE PREFERRED STOCK BEING SUBSCRIBED FOR HEREIN AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THE PREFERRED STOCK (COLLECTIVELY THE "SECURITIES") HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES A CT OF 193 3, A S AMENDED, (THE "ACT') OR THE SECURITIES COMMISSION OF ANY STATE UNDER ANY STATE SECURITIES LAW THEY ARE BEING OFFERED PURSUANT TO A SAFE HARBOR FROM REGISTRATION UNDER REGULATION S ("REGULATION S') PROMULGATED UNDER THE ACT. THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO U.S. PERSONS (AS SUCH TERM IS DEFINED IN REGULATION S) UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, OR SUCH OFFERS, SALES AND TRANSFERS ARE MADE PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS.

THIS SUBSCRIPTION AGREEMENT DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY OF THE SECURITIES OFFERED HEREBY TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. INVESTMENT IN SUCH SECURITIES INVOLVES A HIGH DEGREE OF RISK IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED, APPROVED OR DISAPPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED, PASSED UPON, CONFIRMED OR DETERMINED THE ACCURACY OR ADEQUACY OF THIS DOCUMENT OR A NY INFORMATION PROVIDED BY THE COMPANY TO POTENTIAL INVESTORS ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Regulation S Securities Subscription Agreement (the "Agreement") is executed by the undersigned (the "Subscriber") in connection with the offer and subscription by the undersigned for 10% Class B Convertible Preferred Stock $ 1. 00 par value per share (the "Preferred Stock") of Techniclone International Corporation, a California corporation (the "Company"). The Preferred Stock is being offered in increments of at least 50 shares, at a purchase price of $1,000 per Preferred Share or $50,000 up to a maximum amount of 10,000 shares of Preferred Stock or $10.0 million (the "Offering"). The terms of the Preferred Stock, including the terms on which the Preferred Stock may be converted into common stock, no par value of the Company (the "Common Stock"), are set forth in the Certificate of Determination of Class B Convertible Preferred Stock (the "Certificate of Determination"), in substantially the form attached hereto as Exhibit A. The solicitation of this Subscription and, if accepted by the Company, the offer and sale of Preferred Stock, are being made in reliance upon the provisions of Regulation S ("Regulation S") promulgated under the United States Securities Act of 1933, as amended (the "Act"). The Preferred Stock, and the Common Stock issuable upon conversion thereof (the "Shares"), are sometimes referred to herein collectively as the "Securities." The

Subscriber wishes to subscribe for Preferred Stock in the amount set forth in
Section 17 in accordance with the terms and conditions of the form of Preferred Shares and this Agreement. It is agreed as follows:

1. Offer to Subscribe; Purchase Price and Closing; and Placement Fees

The Subscriber hereby offers to subscribe for and purchase Preferred Stock, for the aggregate purchase price set out in Section 17 of this Agreement. Subscriber agrees that Company may reduce the aggregate amount of Preferred Stock subscribed for pursuant hereto if, in the Company's discretion, the Offering is over-subscribed. Assuming that the minimum placement amount of $5 million (or less, if accepted by the Company) and corresponding subscription agreements accepted by the Company are received into the Company's designated escrow account for this Offering (the "Escrow Account") no later than December 22, 1995 (the "Offering Termination Date"), the closing as to each Subscriber (the"Closing") shall be deemed to occur when this Agreement has been executed by both the Subscriber and the Company and payment shall have been made by the Subscriber, by wire transfer, as directed in writing by the Company, to the Company's designated escrow account, for payment in consideration for the Company's delivery of certificates representing the Preferred Stock subscribed for. If the Closing does not occur on or prior to December 22, 1995, the Escrow Agent will be instructed to release to Subscriber its subscription payment, with interest accrued from receipt of such payment into the Escrow Account under the terms of the Escrow Account, as soon as practicable thereafter in accordance with wire instructions provided by Subscriber. The parties hereto acknowledge that Swartz Investments, Inc, is acting as placement agent (the "Placement Agent") for this Offering, and will be compensated by the Company.

2. Representations; Access to Information; Independent Information; Independent Investigation

2.1 Offshore Transaction. The Subscriber represents and warrants to the Company that (i) the Subscriber is not a "U.S. person" as that term is defined in Rule 902(o) of Regulation S (a copy of which definition is attached as Exhibit B) including, without limitation if a business organization, such as a corporation or partnership, (a) it is organized under the laws of a jurisdiction other than the United States and (b) if organized by a "U.S. Person" principally for the purpose of investing in securities not registered under the Act, it was organized and is owned by accredited investors (as defined in Rule 501 (a) of Regulation D under the Act) who are not natural persons, estates or trusts; (ii) the Securities were not offered to the Subscriber in the United States and at the time of the execution of this Subscription Agreement and the time of any offer to the Subscriber to purchase the Securities hereunder, the Subscriber was physically outside the United States; (iii) the Subscriber is purchasing the Securities for its own account and not on behalf of or for the benefit of any U.S. person and the sale and resale of the Securities have not been prearranged with any U.S. person or buyer in the United States; (iv) the Subscriber agrees, and to the best knowledge of the Subscriber each distributor, if any, participating in the offering of the Securities, has agreed, that all offers and sales of the Securities prior to the expiration of a period commencing on the date of the last Closing of a sale and purchase of

Preferred Stock (the "Last Closing") and ending ninety days thereafter (the "Restricted Period") shall not be made to U.S. persons or for the account or benefit of U.S. persons. Subscriber is not a distributor or dealer with respect to the Securities.

2.2 Subscriber's Independent Investigation. The Subscriber, in offering to subscribe for the Securities hereunder, has relied solely upon an independent investigation made by it and its representatives, if any, and has, prior to the date hereof, been given access to and the opportunity to examine all books and records of the Company, and all material contracts and documents of the Company which have been filed as exhibits to the Company's filings made under the Act and the Securities Exchange Act of 1934, as amended. In making its investment decision to purchase the Preferred Stock, the Subscriber is not relying on any oral or written representations or assurances from the Company or any other person or any representation of the Company or any other person other than as set forth in this Agreement, or on any information other than that contained in the Company's Annual Report on Form 10-K for the year ended April 30, 1995 and (ii) Quarterly Report on Form I O-Q for the quarter ended July 31. 1995. The Subscriber has relied upon a representation of Swartz Investments, Inc. that Swartz did not offer the Preferred Stock to any Subscribers in the U.S. or to any person in the U.S. (unless they have signed the required fiduciary certificate), or any U.S. person. The Subscriber has such experience in business and financial matters that it is capable of evaluating the risk of its investment and determining the suitability of its investment. The Subscriber is an accredited investor as defined in Rule 501 of Regulation D, a copy of which definition is attached hereto as Exhibit C.

2.3 Subscriber's Economic Risk. The Subscriber understands and acknowledges that an investment in the Securities involves a high degree of risk. The Subscriber represents that the Subscriber is able to bear the economic risk of an investment in the Securities, which Subscriber acknowledges are currently illiquid and may remain illiquid indefinitely, including a possible total loss of investment. in making this statement the Subscriber hereby represents and warrants to the Company that the Subscriber has adequate means of providing for the Subscriber's current needs and contingencies; the Subscriber is able to afford to hold the Securities for an indefinite period and the Subscriber further represents that the Subscriber has such knowledge and experience in financial and business matters that the Subscriber is capable of evaluating the merits and risks of the investment in the Securities to be received by the Subscriber. Further, the Subscriber represents, as of the date of signing this Agreement, that the Subscriber has no present need for liquidity in the Securities and the Subscriber is willing to accept such investment risks.

2.4 No Government Recommendation or Approval. The Subscriber understands that no United States federal or state agency, or similar agency of any other country, has reviewed, approved, passed upon or made any recommendation or endorsement of the Company, the Offering or the subscription of the Securities.

2.5 No Directed Selling Efforts in Regard to this Transaction. To the best of the knowledge of the Subscriber and Company, neither the Company nor any distributor participating in the Offering, nor any person acting for the Company or any such distributor, has conducted any "directed selling efforts" in the United States as the term "directed selling efforts" is defined in Rule 902 of Regulation S (without the subscriber having undertaken any investigation or inquiry), which in general, means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Securities being offered. Such activity includes, without limitation, the mailing of printed material to investors residing in the United States, the holding of promotional seminars in the United States, and the placement of advertisements with radio or television stations broadcasting in the United States or in publications with a general circulation in the United States, which discuss the offering of the Securities.

2.6 Company's Reliance on Representations of Subscribers. This Agreement is made by the Company with each Subscriber in reliance upon such Subscriber's representations and covenants made in this Section 2, which reliance by his execution of this Agreement the Subscriber hereby confirms.

2.7 Securities Not Registered Under Securities Act. Subscriber understands that the Preferred Stock and the Common Stock issuable upon conversion of the Preferred Stock (the "Shares") have not been registered under the Act or any state securities laws ("State Acts") and are being offered and sold pursuant to Regulation S based in part upon the representations of Subscriber contained herein. The Common Stock does, however, carry certain registration rights as set forth in the Registration Rights Agreement executed by the parties hereto.

2.8 No Public Solicitation. Subscriber knows of no public solicitation or advertisement of an offer in connection with the proposed issuance and sale of the Securities.

2.9 Investment Intent (Including No Present Intent to Sell Securities at PreDetermined Time). Subscriber is acquiring the Preferred Stock to be issued and sold hereunder (and the Shares issuable upon conversion of the Preferred Stock) for his, her or its own account (or a trust account if such Subscriber is a trustee) for investment and not as a nominee and not with a view to the distribution thereof Subscriber understands that Subscriber must bear the economic risk of this investment indefinitely unless such Preferred Stock or such Shares are registered pursuant to the Act and any applicable State Acts, or an exemption from such registration is available, and that the Company has no present intention of registering any such sale of the Preferred Stock or such Shares, Subscriber represents and warrants to the Company that as of the date of this Agreement, Subscriber has no present plan or intention to sell the Preferred Stock or the Shares in the United States at any predetermined time, and has made no predetermined arrangements to sell the Preferred Stock or the Shares. Subscriber covenants that neither Subscriber nor its affiliates nor any person acting on its or their behalf has entered, has the intention of entering, or will enter into any put

option, short position or other similar instrument or position in the U.S. with respect to the Preferred Stock or Common Stock of the Company anytime after receipt of the term sheet from Swartz Investments concerning this Regulation S Offering until the end of the Restricted Period, or for purposes of lowering the price at which the Preferred Stock are convertible into Shares and neither Subscriber nor any of its affiliates nor any person acting on its or their behalf will at any time use Shares acquired upon conversion of the Preferred Stock to settle/cover any put option, short position or other similar instrument or position.

2.10 Subscriber Not to Sell or Transfer Securities in Violation of the Securities Laws. Subscriber covenants that he, she or it will not make any sale, transfer or other disposition of the Preferred Stock or the Shares in violation of the Act (including Regulation S), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any applicable State Acts or the rules and regulations of the Securities and Exchange Commission (the "Commission") or of any state securities commissions or similar state authorities promulgated under any of the foregoing.

2.11 Subscriber's Power and Authority. Subscriber has the full power and authority to execute, deliver and perform this Agreement. This Agreement, when executed and delivered by Subscriber, will constitute a valid and legally binding obligation of Subscriber, enforceable in accordance with its terms.

2.12 Signatory's Representation. The signatory to this Agreement hereby represents and warrants that he, she or it is:

(a) not a U. S. Person (as defined in Regulation S), and is not located in the U. S. at the time of signing this Agreement.

If the signatory to this Agreement does not meet the requirement in sub-section (a) herein, signatory represents he, she or it is:

(b) a professional fiduciary of Subscriber (as described in
Section (o)(2) through (o)(4) of Rule 902 of Regulation S), acting solely in his capacity as holder of such account, as a fiduciary, executor or trustee, and has completed and signed the accompanying Certificate (Exhibit D) and forwarded it to Swartz Investments, Inc.

2.13 No Tax Advice From Company. Subscriber has reviewed with his, her or its own tax advisors the foreign, U.S. federal, state and local tax consequences of this investment, and the transactions contemplated by this Agreement. Subscriber is relying solely on such advisors and not on any statements or representations of the Company or any of its agents and understands that Subscriber (and not the Company) shall be responsible for the Subscriber's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

2.14 No Legal Advice from Company. Subscriber acknowledges that he, she, or it has had the opportunity to review this Agreement and the transactions contemplated by this Agreement with his, or her or its own legal counsel. Subscriber is relying solely on such counsel and not on any statements or representations of the

Company or any of its agents for legal advice with respect to this investment or the transactions contemplated by this Agreement, except for the representations, warranties and covenants set forth herein and in the opinion provided for in paragraph 7.3 herein.

2.15 Offering Material Statements. Subscriber acknowledges and agrees that all offering materials and documents used in connection with the offers and sales of the Securities to it included statements to the effect of those contained in the first fall capitalized paragraph of this Agreement.

2.16 No Scheme to Evade Registration. Subscriber's acquisition of the Securities is not a transaction (or any element of a series of transactions) that is part of a plan or scheme to evade the registration provisions of the Act.

3. Resales of Securities by Subscriber

Subscriber acknowledges, covenants and agrees that the Securities may and will only be resold by it (a) in compliance with Regulation S and applicable State Acts, if any; or (b) pursuant to an exemption from registration under the Act and applicable State Acts, if any; or c) pursuant to an effective and current Registration Statement under the Act. In addition, in connection with any resale of the Preferred Stock in accordance with clause (a) or (b), above, the subscriber will deliver to the Company and will cause the purchaser to deliver to the Company following documents:

3.1 Documents to be Delivered for Offshore Regulation S Resales. If the shares of Preferred Stock are being resold in compliance with Regulation S:

1. Sales Agreement, executed by Subscriber and Purchaser (in the form of Exhibit E);
2. Seller Representation Letter (in the form of Exhibit F);
3. Assignment Separate from Certificate (in the form of Exhibit G) (or endorsed Certificates);
4. Seller's Instruction Letter (in the form of Exhibit
H); and
5. Purchaser Representation Letter (in the form of Exhibit 1).

3.2 Documents to be Delivered for Resales into the United States. If the shares of Preferred Stock are being resold pursuant to an exemption from registration under the Act other than Regulation S:

1. Sales Agreement, executed by both Subscriber and Purchaser (in the form of Exhibit E);
2. Seller Representation Letter (in the form of Exhibit J);
3. Assignment Separate from Certificate (in the form of Exhibit G) (or endorsed Certificates);
4. Seller's Instruction Letter (in the form of Exhibit
H); and
5. Purchaser Representation Letter (in the form of Exhibit 1).

Upon receipt of the executed documents listed above, the Company will effect the transfer of the Preferred Stock on the Company's books and will issue and deliver new Preferred Stock in the purchaser's name within three (3) business days of such receipt. The provisions of this Section 3 shall not apply to subsequent resales of Preferred Stock that have been sold by Subscriber in compliance with this Section 3.

4. Legends; Subsequent Sale of Securities

4.1 The certificates representing the Preferred Stock shall bear the first legend set forth in Section 4.1 (a), 4.1 (b) and 4.1 (c) below and any other legend or legends as reasonably required to comply with the state, U.S. federal or foreign law.

(a) THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES LAW. THEY ARE BEING OFFERED PURSUANT TO A SAFE HARBOR FROM REGISTRATION UNDER REGULATION S ("REGULATION S") PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("THE ACT"). THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO U.S, PERSONS (AS SUCH TERM IS DEFINED IN REGULATION S) UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, OR SUCH OFFERS, SALES AND TRANSFERS ARE MADE PURSUANT TO AN AVAILABLE EXEMPTION OR SAFE HARBOR FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS.

(b) THESE SECURITIES MAY NOT BE OFFERED OR SOLD TO OR FOR THE BENEFIT OR ACCOUNT OF A "U.S. PERSON," AS THAT TERM IS DEFINED IN RULE 902(o) OF REGULATIONS, PRIOR TO THE EXPIRATION OF A PERIOD COMMENCING ON THE DATE OF THE LAST CLOSING OF A SALE AND PURCHASE OF THE SECURITIES AND ENDING NINETY DAYS THEREAFTER.

(c) THE ISSUER WILL FURNISH, WITHOUT CHARGE, TO THE HOLDER OF THIS CERTIFICATE, UPON REQUEST, THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS AND SERIES OF STOCK OF THE CORPORATION AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND/OR RIGHTS.

4.2 Prior to the forty (40) day period following the Last Closing, any Preferred Shoes submitted to the transfer agent to be converted into shares of Common Stock shall bear the Regulation S legend set forth at Section 4.1 (a) of this Agreement.

(a) Except for Sections 2.1 and 2.9 of this Agreement, which sections are not applicable, each Subscriber asserts that the representations and warranties made by the Subscribers in the Subscription Agreement are true on the date the Subscriber presents the Preferred Shares for transfer, including the fact that he, she or it is not or was not engaged in a plan or scheme to evade the registration provisions of the Securities Act of 1933, as amended, then at any time after the forty (40) day period following the date of Last Closing, any Subscriber issued Preferred Shares pursuant to a Subscription Agreement is entitled to submit its certificate representing the Preferred Shares ("Stock Certificates") to the Transfer Agent to either have the Regulation S restrictive legend set forth in Section 4.1 (a) of the Subscription Agreement ("Regulation S Restrictive Legend") removed or (ii) to convert such Subscribers's Preferred Shares into shares of Converted Stock, the certificates for which shall bear no Regulation S Restrictive Legend.

(b) Except for Sections 2.1 and 2.9 of this Agreement, which sections are not applicable, the representations and warranties made by the Subscribers in the Subscription Agreement remain true upon presentation of the Preferred Shares for transfer, including the fact that he, she or it is not or was not engaged in a plan or scheme to evade the registration provisions of the Securities Act of 1933, as amended, then, at any time after the ninety (90) day period following the date of Last Closing (the "Unrestricted Conversion Period"), any Subscriber issued Preferred Shares pursuant to a Subscription Agreement is entitled to submit its certificate representing the Preferred Shares to the Transfer Agent to either (i) have the Regulation S and contractual restrictive legends set forth in Section 4.1 (a) and (b) of the Subscription Agreement ("Contractual Legend") removed or (ii) to convert such Subscriber's Preferred Shares into shares of Converted Stock, the certificates for which shall bear no Contractual Legend.

(c) Any conversion of the Preferred Shares shall be at the conversion prices (the "Conversion Price") specified in Section 5 of the Certificate of Determination (which Section is set forth in the Irrevocable Instructions Agreement at Exhibit A). Any such conversion shall be accomplished by delivering the Stock Certificates, duly executed for transfer, to be converted along with the notice required by said Section 5 ("Notice of Conversion") to the Transfer Agent. The Preferred Shares so delivered will be converted into shares of Converted Stock (but only in multiples of $50,000).

(d) The Company and Subscribers have agreed that Company will provide the Transfer Agent with irrevocable instructions to convert one or more of any Subscriber's Preferred Shares into shares of Converted Stock upon receipt of valid Notice of Conversion from a Subscriber and the Stock Certificates, duly executed for transfer. The number of shares of Converted Stock into which the Preferred Shares may be converted is hereinafter referred to as the "Conversion Rate" for such Preferred Shares.

5. Notice of Issuance of Securities

The Company will not issue any debt or equity securities for cash in public or private capital raising transactions ("Future Offerings") for a period of seventy five (75) days after the Last Closing without obtaining the prior written approval of Subscribers holding a majority of the purchase price of Preferred Stock then outstanding. Furthermore, the Company will not conduct any Future Offerings for a period of two hundred and forty (240) days after the Last Closing without delivering to the Subscriber, at least seven (7) days prior to the closing of such issuance, written notice describing the proposed issuance and the terms upon which such securities are being issued, and providing the Subscriber the option during such seven (7) day period to purchase the securities being offered in the Future Offerings on the same terms as contemplated by such Future Offerings and in the amount set forth below (the limitations referred to in this and the immediately preceding sentence are collectively referred to as the "Capital Raising Limitation"). The Capital Raising Limitation shall not apply to any transaction involving the Company's commercial banking arrangements or issuances of securities in connection with a merger, consolidation or sale of assets, or in connection with or as part of the same transaction as a joint venture or other acquisition or disposition of a business, a product or a license by the Company or exercise of options by employees, consultants or directors or any transaction with a strategic corporate partner. The Capital Raising Limitation also shall not apply to the issuance of securities upon exercise or conversion of the Company's options, warrants or other convertible securities outstanding as of November 24, 1995, or to the grant of additional options or warrants, or the issuance of additional securities, under any Company stock option or restricted stock plan. The amount of securities which a Subscriber is entitled to purchase in such a Future Offering shall be a number obtained by multiplying the aggregate amount of securities being offered in the Future Offering by a fraction, the numerator of which is the purchase price of the Preferred Stock purchased by the Subscriber pursuant to this Agreement and the denominator of which is the aggregate dollar amount of Preferred Stock placed in this Offering.

6. Representations and Warranties of Company

Company represents and warrants to Subscriber as follows:

6.1 Organization, Good Standing, and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California, USA and has all requisite corporate power and authority to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on the business or properties of the Company and its subsidiaries taken as a whole. The Company, to its knowledge is not the subject of any pending or threatened investigation or administrative or legal proceeding by the Internal Revenue Service, the taxing authorities of any state or local jurisdiction, or the Securities and Exchange Commission which have not been disclosed in the reports referred to in Section 6.5 below.

6.2 Corporate Condition. The Company's condition was, in all material respects, as described in the Company's reports filed pursuant to the Exchange Act and provided to Subscriber in accordance with Section 2.2 above as of the dates of such reports. There have been no material adverse changes in the Company's financial condition or business since the date of the latest report, except as described in the Company's press releases, copies of which have been provided to Subscriber.

6.3 Authorization. All corporate action on the part of the Company by its officers, directors and shareholders necessary for the authorization, execution and delivery of this Agreement, the performance of all obligations of the Company hereunder and the authorization, issuance (or reservation for issuance) and delivery of the Preferred Stock being sold hereunder and issuance of the Common Stock obtainable on conversion of the Preferred Stock have been taken, and this Agreement and the Registration Rights Agreement constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms.

6.4 Valid Issuance of Preferred Stock and Common Stock. The Preferred Stock, when issued, sold and delivered in accordance with the terms hereof for the consideration expressed herein, will be validly issued, fully paid and nonassessable and, based in part upon the representations of the Subscriber in this Agreement, will be issued in compliance with all applicable U.S. federal and state securities laws. The Common Stock issuable upon conversion of the Preferred Stock when issued in accordance with the terms of the Preferred Stock shall be duly and validly issued and outstanding, fully paid and nonassessable, and based in part on the representations and warranties of Subscriber and any transferee of the Preferred Stock, will be issued in compliance with all applicable U.S. federal and state securities laws.

6.5 Current Public Information. The Company represents and warrants to the Subscriber that the Company is a "reporting issuer" as defined in Rule 902(l) of Regulation S and it has a class of securities registered under Section 12(b) or 12(g) of the Exchange Act or is required to file reports pursuant to Section 15(d) of the Exchange Act, and has filed all the materials required to be filed as reports pursuant to the Exchange Act for a period of at least twelve months preceding the date hereof (or for such shorter period as the Company was required by law to file such material), and all such filings have been made on a timely basis. The Company undertakes to furnish the Subscriber with copies of such information as may be reasonably requested by the Subscriber prior to consummation of this Offering.

6.6 No Securities Offered in U.S. or to any U.S. Person. The Company represents that the Preferred Stock was not offered to a Subscriber in the U.S. or, to any person in the United States or any U.S. Person (as defined in Regulation S), and has relied upon a representation of Swartz Investments, Inc. that Swartz did not offer the Preferred Stock to any Subscribers in the U.S. or to any person in the U.S. (unless they have signed the required fiduciary certificate), or any U.S. person.

6.7 Capitalization Structure of the Company. The capitalization of Company, as of the date of the Closing, as set forth in Exhibit L.

6.8 Termination Date of Offering. In no event shall the Last Closing of a sale of a Preferred Stock occur later than December 22, 1995.

6.9 Use of Proceeds. As of the date hereof, the Company expects to use the proceeds from this Offering (less fees and expenses) for the purposes and in the approximate amounts set forth in Exhibit M hereto. These purposes and amounts are estimates and are subject to change.

6.10 Liquidated Damages for Late Conversion. As set forth in the Certificate of Designation, the Company shall use all reasonable efforts to issue and deliver, within three (3) business days after the Subscriber has fulfilled all conditions and submitted all necessary documents duly executed and in proper form, required for conversion (the "Deadline"), to such Holder of Class B Convertible Preferred Stock at the address of the Holder on the books of the Company, a certificate or certificates for the number of shares of Common Stock to which the Holder shall be entitled upon submission of a notice of conversion. The Company understands that a delay in the issuance of the Shares of Common Stock beyond the Deadline could result in economic loss to the Holder. As compensation to the Holder for such loss, the Company agrees to pay liquidated damages to the Holder for late issuance of Shares upon Conversion in accordance with the following schedule (where "No. Business Days Late" is defined as the number of business days beyond 5 business days from the date of receipt by the Company of a notice of conversion and the transfer agent of all necessary documentation duly executed and in proper form required for conversion, including the original certificate representing the Preferred Shares to be converted, all in accordance with the subscription documents and the requirements of the transfer agent):

No. Business Days Late	Liquidated Damages
1	$500
2	$1,000
3	$1,500
4	$2,000
5	$2,500
6	$3,000
7	$3,500
8	$4,000
9	$4,500
10	$5,000
Greater than 10	$5,000 + $1,000 for each Business Day Late beyond 10 days

The Company shall pay any liquidated damages incurred under this Section by check within 7 business days from the date of issuance of Shares.

6.11 Payment of Accrued Interest on Funds in Escrow. The Company shall pay interest to each Subscriber prior to the Last Closing in an amount equal to 10% per annum of interest of the Original Class B Issue Price (which is $1,000 per share) per annum for the period commencing on the date that, in connection with the consummation of the initial purchase by Subscriber of its shares of Convertible Class B Preferred Stock from the Company, the escrow agent first had in its possession funds representing full payment for such shares of Class B Convertible Preferred Stock and ending on the Last Closing Date. Such payment shall be made by the Company to Subscriber, by check, within 7 days of the date of the Last Closing.

6.12 Company To Be Listed On NASDAQ Within 120 Days. Company represents that it intends to utilize a portion of the proceeds from this offering so it can be listed on NASDAQ's small capitalization market or NASDAQ's national market system. The Company shall use its best efforts to obtain such listing as soon as practicable, including filing for NASDAQ listing no later than 30 days following the date of Last Closing. If Company fails to obtain the aforementioned NASDAQ listing within 120 days from the date of Last Closing, Company shall be obligated to pay to Subscriber (or any subsequent holder) in Convertible Class B Stock an amount equal to 1.5% per month until such listing is obtained.

6.13 Planned Increase in Authorized Common Stock

Company agrees to recommend to its shareholder at its annual meeting on or before August 1, 1996 that the company increase the authorized number of shares of common stock to 50 million shares.

7. Covenants of Company

7.1 Independent Auditors. The Company shall, until at least December 6, 1998, maintain as its independent auditors an accounting firm authorized to practice before the SEC.

7.2 Corporate Existence and Taxes. The Company shall, until at least the earlier of December 15, 1998, or the conversion or redemption of the Preferred Stock purchased pursuant to this Agreement maintain its corporate existence in good standing (provided, however, that the foregoing covenant shall not prevent the Company from entering into any merger or corporate reorganization as long as the surviving entity in such transaction, if not the Company, assumes the Company's obligations with respect to the Preferred Stock) and shall pay all its taxes when due except for taxes which the Company disputes.

7.3 Opinion of Counsel. Subscriber shall, upon purchase of the Preferred Stock, receive an opinion letter from outside counsel to the Company, to the effect that (i) the Company is duly incorporated and validly existing under the laws of California;
(ii) this Agreement, the Registration Rights Agreement, the issuance of the Preferred Stock, and (assuming there are sufficient authorized shares) the issuance of the Common Stock upon conversion of the Preferred Stock have been

duly authorized by all required corporate action, and that all such Shares, upon delivery, shall be validly issued and outstanding, fully paid and nonassessable; (iii) this Agreement constitutes valid and binding obligations of the Company, enforceable in accordance with their terms, except as enforceability of any indemnification provisions may be limited by principles of public policy, and subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of laws governing specific performance and other equitable remedies; and (iv) based upon the representations and warranties of the Subscribers contained in the Regulation S Subscription Agreements entered into in connection with the Offering, and assuming that no Subscriber is engaged in a plan or scheme to evade the registration requirements of the Act, the issuance of the Preferred Stock has been effected in compliance with Regulation S, and the issuance of the Shares upon conversion of the Preferred Stock in accordance with their terms by the holders of the Preferred Stock (assuming that no commission or other remuneration is paid or given, directly or indirectly, for soliciting such conversion) will not be subject to the registration provisions of the Act.

7.4 Registration Rights. The Company will grant Subscriber the registration rights covering the Common Stock issuable on conversion of the Preferred Stock on substantially the terms of the Registration Rights Agreement attached hereto as Exhibit N.

7.5 Notification of Final Closing Date & Restricted Period by Company. Within five (5) business days after the Last Closing, the Company shall notify the Subscriber in writing that the final Closing has occurred, the date of the final Closing, the date upon which the 40 day restricted period and the ninety
(90) day contractual restricted period will terminate with respect to the Securities, and the value of the fixed strike price, as that term is defined in the Preferred Shares.

8. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of California, U.S.A., applicable to agreements made in and wholly to be performed in that jurisdiction, except for matters arising under the Act or the Exchange Act which matters shall be construed and interpreted in accordance with such laws. Any action brought to enforce, or otherwise arising out of, this Agreement shall be heard and determined only in either a federal or state court sitting in the County of Orange in the State of California, U.S.A.

9. Entire Agreement; Written Amendments Required

This Agreement, the Preferred Stock, the Registration Rights Agreement and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof, and no party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

10. Written Notices, Etc.

Any notice, demand or request required or permitted to be given by either the Company or the Subscriber pursuant to the terms of this Agreement shall be in writing and shall be deemed given when delivered personally, or by facsimile (with a hard copy to follow by two day courier), addressed to the parties at the addresses and/or facsimile telephone number of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing.

11. Execution in Counterparts Permitted

This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together hall constitute one instrument.

12. Severability of Agreement

In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

13. Titles and Subtitles; Gender

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

14. Exact Registered Name of Security Holder; Offshore Delivery Instructions

Subscriber agrees to provide Company with the exact name in which it wishes the securities to be registered by providing that information on the accompanying signature page of his Agreement. Additionally, Subscriber also agrees to provide Company with detailed delivery instructions to an offshore addressee and will also provide that information on the accompanying signature page of this Agreement.

15. Subscriber to Forward Original Signed Subscription Agreement to Company

Subscriber agrees to courier to Company his, her or its original inked signed Subscription Agreement within 2 days of faxing said signed agreement to placement agent, Swartz Investments, Inc.

16. Assignment.

Neither party to this Agreement may assign this Agreement without the written consent of the other (which may be withheld for any reason). This provision does not limit the Subscriber's right to transfer the Securities pursuant to the terms of the Preferred Shares and this Agreement.

[See following page for provisions regarding the amount of your subscription, the exact name in which the security is to be issued, and offshore delivery instructions.]

17. Amount

The undersigned hereby subscribes for $_____ purchase price of Preferred Stock, and pays herewith funds in the amount of _____ U.S Dollars ($_____ U.S.).

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

Dated this day of , 1995.

- ----------
Your Signature

- ----------
Name: Please Print

- ----------
Title/Representative Capacity (if applicable)

- ----------
Name of Company You Represent (if applicable)

- ----------
Place of Execution of this Agreement

EXACT NAME IN WHICH YOU WANT
THE SECURITIES TO BE REGISTERED
(Please Print Exact Registered Name)

OFFSHORE DELIVERY INSTRUCTIONS:

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

ATTN:

Street Address

Street Address

City, State or Province, Country

Offshore Postal Code

Phone Number (For Federal Express)

Facsimile Number (re: Notice)

THIS SUBSCRIPTION IS ACCEPTED BY THE COMPANY ON THE DAY OF

1995.

TECHNICLONE INTERNATIONAL CORPORATION
A California Corporation

By:

Print Name:

Title:

FIDUCIARY, EXECUTOR OR TRUSTEE CERTIFICATE

Nature of Signatory. The signatory to this Agreement hereby represents and warrants that if he, she or it is a U.S. Person (as defined in Regulation S) or is located in the U.S. at the time of signing this Agreement, then he, she or it is:

a professional fiduciary of Subscriber (as described in Section o(2) through (o)(4) of Rule 902 of Regulation S), acting solely mi his capacity as holder of such account, in which case:

(i) After due inquiry the Subscriber is not a U.S. Person (as defined in Regulation S); and

(ii) either (sign either A, B or C, as applicable):

A. The account for which the Securities are being purchased by Subscriber is a discretionary account which the undersigned manages and holds for the benefit or account of Subscriber and the Subscriber is not located in the U.S. at the time of signing this Agreement;

(signature)

OR

B. The account for which the Securities are being purchased by Subscriber is the account of an estate of which the undersigned acts as executor, provided that an executor or administrator who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate, and the estate is governed by foreign law and provided further that the Subscriber is not located in the U.S. at the time of signing this Agreement;

(signature)

OR

C. The account for which the securities are being purchased by Subscriber is the account of a trust of which the undersigned acts as trustee, provided that a trustee who is not a U.S. Person (as defined in Regulation S) has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person (as defined in Regulation S) and provided further that the Subscriber is not located in the U.S. at the time of signing this Agreement.

(signature)

Print Your Name Person or Entity for Whom You are Signing

TECHNICLONE INTERNATIONAL: REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT ("Agreement") is entered into as of December , 1995, by and among Techniclone International Corporation, a California corporation ("Company") Swartz Investments, Inc., a Georgia corporation ("Swartz") and the subscribers ("Investors") to the Company's offering ("Offering") of up to Ten Million Dollars U.S. ($10,000,000 U.S.) of Class B Convertible Preferred Stock (the "Preferred Stock") pursuant to Regulation S.

WHEREAS, Company desires to provide to Investors the right to obtain unrestricted and unlegended shares of stock under limited circumstances if Regulation S were to be deemed invalid or if for any reason Investor is precluded from removing the Regulation S restrictive legend or converting, selling or transferring its Preferred Stock after the forty 40 day Regulation S restricted period, and immediately after the ninety (90) day contractual period set forth in the Certificate of Determination governing the rights of the Preferred Stock; and

WHEREAS, Investors desire the assurance that Company would take the steps necessary to effectuate a registration in such limited circumstances;

THEREFORE, the parties agree to be bound by the following terms of this Registration Rights Agreement.

1. DEFINITIONS. For purposes of this Agreement:

(a) The term "register", "registered," and "registration" refers to a registration effected by preparing and filing a registration statement or similar document in compliance with the Securities Act of 1933 (the "Act"), and the declaration or ordering of effectiveness of such registration statement or document;

(b) The term "Shares" means the Common Stock of the Company issuable or issued upon conversion of the Preferred Stock issued to Investors in the Offering;

(c) The number of shares of "Shares Then Outstanding" shall be determined by the number of shares of Common Stock which have been issued or are issuable upon conversion of the Preferred Stock or upon exercise of the Warrant at the time of such determination;

(d) The term "Holder" means any person owning or having the right to acquire Shares or Warrant Shares, or any permitted assignee thereof;

(e) The term "Warrant" means the warrant granted to Swartz Investments in connection with the Offering; and

(f) The term "Warrant Shares" means the Common Stock of the Company issued upon the exercise of the Warrant.

EXHIBIT 4.2

2. REQUEST FOR REGISTRATION.

(a) If, Regulation S is deemed to be invalid or if for any reason Holder is precluded from removing the Regulation S restrictive legend, converting, selling or transferring its Preferred Stock and which precluded removal of legend, conversion, sale or transfer would have otherwise been allowed had Regulation S remained in full force and effect as it was on the date of the last purchase and sale of Preferred Stock ("Last Closing"), and if such change in law or the fact that Holder does not meet the requirements of another exemption precludes Holder from obtaining Shares without the Regulation S restrictive legend (set forth in Section 4.1(a) of the Subscription Agreement) after the forty 40 day Regulation S restricted period, and if, at any time after ninety 90 days after the Last Closing, the Company shall receive written request(s) from the Holders of Shares obtained or obtainable upon conversion of at least $1,000,000 of Preferred Stock (the "Initiating Holders"), for the Company to file a registration statement under the Act covering the registration of at least twenty percent (20%) of the number of Shares and Warrant Shares then outstanding, then the Company shall, within ten (10) days of the receipt thereof, give written notice of such request to all Holders and shall, subject to the limitations of subsection 2(b), effect as soon as practicable, and in any event within seventy-five 75 days of the receipt of such request, the registration under the Act of all Shares and Warrant Shares which the Holders request, by notice given to the Company within ten (10) days of receipt of the Company's notice, to be registered as expeditiously as reasonably possible after the mailing of such notice by the Company (a "Demand Registration").

(b) If the Initiating Holders intend to distribute the Shares covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to this Section 2 and the Company shall include such information in the written notice referred to in subsection 2(a). In such event, the right of any Holder to include his Shares and Warrant Shares in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Shares and Warrant Shares in the underwriting (unless otherwise mutually agreed by a majority in interest of the Initiating Holders and such Holder) to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in subsection
5(f)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by a majority in interest of the Initiating Holders, and reasonably acceptable to the Company.

(c) The Company is obligated to effect only one Demand Registration pursuant to Section 2 of this Agreement. Company agrees to include all Shares and Warrant Shares held by all Holders (that are initiating Holders or have notified the Company of their desire to be included in the registration statement pursuant to 2(a) above) in such registration statement without cutback or reduction. In the event the Company breaches its obligation of the preceding sentences, any Holders of the Shares and Warrant Shares which were not included in such registration statement shall be entitled to a second Demand Registration for such excluded securities and shall keep the registration statement effective as required by Section 5.

(d) If in the opinion of the Company's counsel registration under the Act is not required, then the Company is not obligated to effect a demand registration under this Section 2 unless the Initiating Holders engage
(1) at Company's sole expense, outside counsel, whose reputation and fee structure shall be reasonably acceptable to Company, or (2) at their own expense,

outside counsel, whose reputation is reasonably acceptable to Company, who opines that registration under the Act is required (i.e. there are no exemptions from registration under the Act which are available to the Holders of the Shares) for the immediate transfer of the Shares. Based on opinion of outside counsel, Company shall begin the registration of the Shares in accordance with
Section 1(a) of this Agreement.

3. COMPANY REGISTRATION. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Holders) any of its Common Stock under the Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company stock plan or a registration on Form S-4 promulgated under the Act or any successor or similar form registering stock issuable upon a reclassification, upon a business combination involving an exchange of securities or upon an exchange offer for securities of the issuer or another entity), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given by fax within twenty (20) days after mailing of such notice by the Company, which request shall state the intended method of disposition of such Shares by such Holder, the Company shall cause to be registered under the Act all of the Shares and Warrant Shares that each such Holder has requested to be registered (a "Piggyback Registration").

4. LIMITATION ON OBLIGATIONS TO REGISTER.

In the case of a Piggyback Registration in an underwritten public offering by the Company, if the managing underwriter determines and advises in writing that the Shares and Warrant Shares to be included in such offering would interfere with the successful marketing of the securities proposed to be registered by the Company, then the number of such Shares and Warrant Shares to be included in the registration statement shall be allocated among all Holders who had requested Piggyback Registration, in the proportion that the number of Shares and Warrant Shares which each such Holder [including Swartz Investments] seeks to register bears to the total number of Shares and Warrant Shares sought to be included by all Holders [including Swartz Investments].

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

(a) Prepare and file with the SEC a registration statement with respect to such Shares and Warrant Shares and use its most reasonable business efforts to cause such registration statement to become effective.

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

(c) Use best efforts to keep such registration statement effective for a period of at least two hundred seventy 270 days.

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

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

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

(g) At any time when a prospectus relating thereto is required to be delivered under the Act, notify each Holder of Shares and Warrant Shares covered by such registration statement of the happening of any event, the result of which event, would cause the prospectus included in such registration statement, as then in effect, to include an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(h) At the request of any Holder requesting registration of Shares and Warrant Shares pursuant to this Agreement, on the date that such Shares and Warrant Shares are delivered to the underwriters for sale in connection with a registration pursuant to this Agreement, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) in the event of any underwritten public offering, furnish an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holders requesting registration of Shares and Warrant Shares; and, in the event of a public offering without an underwriter, an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, to the effect that the registration statement has been declared effective, the Shares and Warrant Shares of the applicable Holders have been included, and such Holders may sell the Shares and Warrant Shares so covered by the registration statement (ii) in the event of any underwritten public offering, a letter dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters and to the Holders requesting registration of Shares and Warrant Shares.

(i) Company shall be obligated to allow a Holder the right to conduct at Holder's expense a reasonable due diligence inquiry in connection with any offering conducted pursuant to this Agreement, Company further agrees to provide to Holder copies of the registration statement prior to its filing with the SEC.

6. FURNISH INFORMATION. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement that the selling Holders shall furnish to the Company such information regarding themselves, the Shares or Warrant Shares held by them, and the intended method of disposition of such securities as shall be required to effect the registration of their Shares or Warrant Shares or to determine that registration is not required pursuant to Regulation S, or other applicable provisions of the Act.

7. EXPENSES OF DEMAND REGISTRATION. All expenses other than underwriting discounts and commissions incurred in connection with registrations, filings or qualifications pursuant to Section 2, including (without limitation) all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and including the reasonable fees and disbursements incurred of only one counsel (up to a maximum of $5,000 for such counsel fees and disbursements), for the selling Holders, shall be borne by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Shares and Warrant Shares to be registered (in which case all Holders who had requested such registration shall bear such expenses); provided further, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request, then the Holders shall not be required to pay any of such expenses and shall retain their rights pursuant to
Section 2.

8. EXPENSES OF COMPANY REGISTRATION. The Company shall bear and pay all expenses incurred in connection with any registration, filing or qualification of Shares and Warrant Shares with respect to the registrations pursuant to Section 3 for each Holder, including (without limitation) all registration fees, filing and qualification fees, printing fees and accounting fees relating or apportionable thereto (and including the reasonable fees and disbursements incurred of only one counsel for the selling Holders selected by them, up to a maximum of $5,000 for such counsel fees), but excluding underwriting discounts and commissions relating to Shares.

9. INDEMNIFICATION. In the event any Shares and Warrant Shares are included in a registration statement under this Agreement:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the officers and directors of each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the Securities Exchange Act of 1934, as amended (the "1934 Act"), against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or violation by the Company of the Act, the 1934 Act, any state securities law or any rule or regulation promulgated under the Act, the 1934 Act or any state securities law; and the Company will reimburse each such Holder, officer or director, underwriter or controlling person for any legal or other expenses

reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, officer, director, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, any underwriter and any other Holder selling securities in such registration statement or any of its directors or officers or any person who controls such Holder, against any losses, claims, damages, or liabilities (joint or several) to which the Company or any such director, officer, controlling person, or underwriter or controlling person, or other such Holder or director, officer or controlling person may become subject, under the Act, the 1934 Act or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder expressly for use in connection with such registration; and each such Holder will reimburse any legal or other expenses reasonably incurred by the Company and any such director, officer, controlling person, underwriter or controlling person, other Holder, officer, director, or controlling person in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, that, in no event shall any indemnity under this subsection 9(b) exceed the gross proceeds from the offering received by such Holder.

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

(d) The obligations of the Company and Holders under this
Section 9 shall survive the redemption and conversion, if any, of the Preferred Stock, the completion of any offering of Shares and Warrant Shares in a registration statement under this Agreement, and otherwise.

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

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

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

(c) furnish to any Holder, so long as the Holder owns any Shares, forthwith upon request (i) a written statement by the Company, if true, that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act and the 1934 Act (at any time after it has become subject to such reporting requirements), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration.

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

12. MISCELLANEOUS.

(a) This Agreement constitutes the entire agreement among the parties with regard to the subjects hereof. The terms and conditions of this Agreement shall inure to the benefit of, and be binding upon, the respective successors and assigns of the parties. Nothing in this Agreement is intended to confer on any third party any rights, liabilities or obligations, except as specifically provided.

(b) The titles and subtitles used in this Agreement are for convenience only and are not to be used in construing or interpreting the Agreement.

13. NOTICES. All notices required or permitted under this Agreement shall be made in writing signed by the party making the same, shall specify the section under this agreement pursuant to which it is given, and shall be addressed to (i) The Company Attn: President, 14282 Franklin Avenue Tustin, CA 92680, Telephone No. (714) 838-0500, Telecopy No. (714) 838-9433, and
(ii) the Holder at their respective last address as the party shall have furnished in writing as a new address to be entered on such register. Any notice, except as otherwise provided in this Agreement, shall be made by fax an shall be deemed given at the time of transmission of such fax.

14. TERMINATION. This Agreement shall terminate on the date that is three years from the date of this Agreement; but without prejudice to (i) the parties' rights and obligations arising for breaches of this Agreement occurring prior to such termination or (ii) other indemnification obligation under this Agreement.

15. ASSIGNMENT. No assignment, transfer or delegation, whether by operation of law or otherwise, of any rights or obligations under this Agreement by the Company or any Holder respectively, shall be made without the prior written consent of the majority in interest of the Holders or the Company, respectively; provided that the rights of a Holder may be transferred to a subsequent holder of the Holder's Shares and Warrant Shares (provided such transferee shall provide to the Company, together with or prior to such transferee's request to have such Shares and Warrant Share included in a Demand Registration or Piggyback Registration, a writing executed by such transfers agreeing to be bound as a Holder by the terms of this Agreement); and provided further that the Company may transfer its rights and obligations under this Agreement to a purchaser of all or substantial portion of its business if the obligations of the Company under this Agreement are assume in connection with such transfer, either by merger or other operation of law (which may include without limitation a transaction whereby the Shares and Warrant Shares are converted into securities of the successor in interest) or by specific assumption executed by the transferee.

16. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California, U.S.A. applicable to agreements made in and wholly to be performed in that jurisdiction, except for matters arising under the Act or the Securities Exchange Act of 1934, which matters shall be construed and interpreted in accordance with such laws. Any action brought to enforce, or otherwise arising out of, this Agreement shall be heard an determined only in either a federal or state court sitting in the county of Orange in the State of California, U.S.A.

IN WITNESS WHEREOF, the undersigned have executed this Registration Rights Agreement as of the date first above written.

COMPANY	INVESTOR(S)
TECHNICLONE INTERNATIONAL CORPORATION	

	(Print Investor's Name)
By:	By:
---	---
Lon Stone	(Signature)
President and CEO	
Address:	Address:
14282 Franklin Avenue	---
Tustin, CA 92640	---

Telephone No. (714) 838-0500	---
Telecopy No. (714) 838-9433	---
	Telephone No. ( ) ---
	Telecopy No. ( ) ---

THIS CERTIFICATE AND THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNTIL EITHER (I) A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS SHALL HAVE BECOME EFFECTIVE WITH REGARD THERETO, OR (II) THE CORPORATION SHALL HAVE RECEIVED AN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION AND ITS COUNSEL THAT AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS IS AVAILABLE IN CONNECTION WITH SUCH OFFER, SALE OR TRANSFER.

Warrant to Purchase
_____ shares

WARRANT TO PURCHASE COMMON STOCK OF
TECHNICLONE INTERNATIONAL CORPORATION

THIS CERTIFIES that Swartz Investments, Inc. ("Holder") or any subsequent holder hereof, has the right to purchase from Techniclone International Corporation, a California Corporation (the "Company"), not more than _____ fully paid and nonassessable shares of the Company's Common Stock, no par value ("Common Stock"), at a price of $3.06875 per share subject to adjustment as provided below (the "Exercise Price"), at any time on or before 5:00 p.m., Atlanta, Georgia time, on December 28, 2000 ("Warrant").

The holder of this Warrant agrees with the Company that this Warrant is issued and all rights hereunder shall be held subject to all of the conditions, limitations and provisions set forth herein.

1. Date of Issuance.

This Warrant shall be deemed to be issued on December 18, 1995.

2. Exercise.

This Warrant may be exercised as to all or any lesser number of full shares of Common Stock covered hereby upon surrender of this Warrant, with the Subscription Form attached hereto duly executed, together with the full Exercise Price (as hereinafter defined) in cash, or by certified or official bank check payable in California Clearing House Funds for each share of Common Stock as to which this Warrant is exercised, at the office of the Company, Techniclone International Corporation, 14282 Franklin Avenue, Tustin, CA 92680, or at such other office or agency as the Company may designate in writing, by overnight mail, with an advance copy of the Subscription Form by facsimile (such surrender and payment hereinafter called the "Exercise of this Warrant"). The "Date of Exercise" of the Warrant shall be defined as the date that the advance copy of the Subscription Form is sent by facsimile to the Company, provided that the original Warrant, Subscription Form, and the Exercise Price are received by the Company within five (5) business days thereafter. The original Warrant, Subscription Form, and

the Exercise Price must be received within five (5) business days of the Date of Exercise, or the Subscription Form shall be considered void. This Warrant shall be canceled upon its exercise, and, as soon as practical thereafter, the holder hereof shall be entitled to receive a certificate or certificates for the number of shares of Common Stock purchased upon such exercise and a new Warrant or Warrants (containing terms identical to this Warrant) representing any unexcercised portion of this Warrant. Each person in whose name any certificate for shares of Common Stock is issued shall, for all purposes, be deemed to have become the holder of record of such shares on the Date of Exercise of this Warrant, irrespective of the date of delivery of such certificate. Nothing in this Warrant shall be construed as conferring upon the holder hereof any rights as a shareholder of the Company.

3. Payment of Warrant Exercise Price.

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

(i) cash, certified check or cashiers check or wire transfer; or

(ii) surrender of this Warrant at the principal office of the Company together with notice of election, in which event the Company shall issue Holder a number of shares of Common Stock computed using the following formula;

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

where: X = the number of shares of Common Stock to be issued to Holder (not to exceed the number of shares set forth on the cover page of this Warrant, as adjusted pursuant to the provisions of Section 4 of this Warrant).

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

A = the Market Price of one share of Common Stock (for purposes of this Section 2(ii), the "Market Price" shall be defined as the average closing bid price of the Common Stock for the five trading days prior to the Date of Exercise of this Warrant (the "Average Closing Bid Price"), as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), or if the Common Stock is not traded on NASDAQ, the Average Closing Bid Price in the over-the-counter market; provided, however, that if the Common Stock is listed on a stock exchange, the Market Price shall be the Average Closing Bid Price on such exchange). If actual sales price information is not available on any such trading day, then the Closing Bid Price on that such date will be the Closing Bid Price on the last reported date.

B = The Exercise Price, $3.06875 per share (subject to adjustment).

It is intended that the Common Stock issuable upon exercise of this Warrant in a cashless exercise transaction shall be deemed to have been acquired at the time this Warrant was issued, for purposes of Rule 144(d)(3)(ii).

4. Transfer and Registration.

Subject to the provisions of Section 7 of this Warrant, this Warrant may be transferred on the books of the Company, wholly or in part, in person or by attorney, upon surrender of this Warrant properly endorsed, with signature guaranteed. This Warrant shall be canceled upon such surrender and, as soon as practicable thereafter, the person to whom such transfer is made shall be entitled to receive a new Warrant or Warrants as to the portion of this Warrant transferred, and the holder of this Warrant shall be entitled to receive a new Warrant or Warrants as to the portion hereof retained. The Common Stock issuable upon the exercise of this Warrant constitute "Warrant Shares" under that certain Registration Rights Agreement dated December ___ between the Company and certain investors and, accordingly, has the benefit of the registration rights pursuant to that agreement.

5. Anti-Dilution Adjustments.

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

(b) If the Company shall at any time effect a recapitalization or reclassification of such character that the shares of Common Stock shall be changed into or become exchangeable for a larger or smaller number of shares, then upon the effective date thereof, the number of shares of Common Stock which the holder hereof shall be entitled to purchase upon Exercise of this Warrant shall be increased or decreased, as the case may be, in direct proportion to the increase or decrease in the number of shares of Common Stock by reason of such recapitalization or reclassification, and the Exercise Price shall be, in the case of an increase in the number of shares, proportionately decreased and, in the case of a decrease in the number of shares, proportionally increased.

(c) If the Company shall at any time distribute to holders of Common Stock cash, evidences of indebtedness or other securities or assets (other than cash dividends or distributions payable out of earned surplus or net profits for the current or preceding year) then, in any such case, the holder of this Warrant shall be entitled to receive, upon exercise of this Warrant, with respect to each share of Common Stock issuable upon such exercise, the amount of cash or evidences of indebtedness or other securities or assets which such holder would have been entitled to receive with respect to each such share of Common Stock as a result of the happening of such event had this Warrant been exercised immediately prior to the record date or other date fixing shareholders to be affected by such event (the "Determination Date") or, in lieu thereof, if the Board of Directors of the Company should so determine at the time of such distribution, a reduced Exercise Price determined by multiplying the Exercise Price on the Determination Date by a fraction, the numerator of which is the result of such Exercise Price reduced by the value of such distribution applicable to one share of Common Stock (such value to be determined by the Board in its discretion) and the denominator of which is such Exercise Price.

(d) If the Company shall at any time consolidate or merge with any other corporation or transfer all or substantially all of its assets, then the Company shall deliver written notice to the Holder of such merger, consolidation or sale of assets at least thirty (30) days prior to the closing of such merger, consolidation or sale of assets and this Warrant shall terminate and expire immediately prior to the closing of such merger, consolidation or sale of assets.

(e) As used in this Warrant, the term "Exercise Price" shall mean the purchase price per share specified in this Warrant until the occurrence of an event stated in subsection (b) or (c) of this Section 4 and thereafter shall mean said price as adjusted from time to time in accordance with the provisions of said subsection. No such adjustment shall be made unless such adjustment would change the Exercise Price at the time by $.01 or more; provided, however, that all adjustments not so made shall be deferred and made when the aggregate thereof would change the Exercise Price at the time by $.01 or more. No adjustment made pursuant to any provision of this Section 4 shall have the effect of increasing the total consideration payable upon Exercise of this Warrant in respect of all the Common Stock as to which this Warrant may be exercised.

(f) In the event that at any time, as a result of an adjustment made pursuant to this Section 4, the holder of this Warrant shall, upon Exercise of this Warrant, become entitled to receive shares and/or other securities or assets (other than Common Stock) then, wherever appropriate, all references herein to shares of Common Stock shall be deemed to refer to and include such shares and/or other securities or assets; and thereafter the number of such shares and/or other securities or assets shall be subject to adjustment from time to time in a manner and upon terms as nearly equivalent as practicable to the provisions of this Section 4.

6. Fractional Interests.

No fractional shares or scrip representing fractional shares shall be issuable upon the Exercise of this Warrant, but on Exercise of this Warrant, the holder hereof may purchase only a whole number of shares of Common Stock. The Company shall make a payment in cash in respect of any fractional shares which might otherwise be issuable upon Exercise of this Warrant, calculated by multiplying the fractional share amount by the market price of the Company's Common Stock on the Date of Exercise as reported by the NASDAQ National Market or such other exchange as Company's Common Stock is traded on in accordance with provision 3.

7. Reservation of Shares.

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

8. Restrictions on Transfer.

This Warrant and the Common Stock issuable on Exercise hereof have not been registered under the Securities Act of 1933, as amended, and may not be sold, transferred,

pledged, hypothecated or otherwise disposed of in the absence of registration or the availability of an exemption from registration under said Act, and, in the event a holder believes an exemption from the registration requirements of the Act is available, the holder must deliver a legal opinion satisfactory in form and substance, to the Issuer and its counsel, stating that such exemption is available. All shares of Common Stock issued upon Exercise of this Warrant shall bear an appropriate legend to such effect.

9. Benefits of this Warrant.

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

10. Applicable Law.

This Warrant is issued under and shall for all purposes be governed by and construed in accordance with the laws of the state of Georgia. Jurisdiction for any dispute regarding this Warrant lies in North Fulton County, Georgia.

11. Loss of Warrant.

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

12. Notice to Company.

Notices or demands pursuant to this Warrant to be given or made by the holder of this Warrant to or on the Company shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid, and addressed, until another address is designated in writing by the Company, Techniclone International Corporation, 14282 Franklin Avenue, Tustin, CA 92680 (714) 838-0500, Attention: Chief Executive Officer. Notices or demands pursuant to this Warrant to be given or made by the Company to or on the holder of this Warrant shall be sufficiently given or made if sent by certified or registered mail, return receipt requested, postage prepaid, and addressed, Attn: Mr. Eric Swartz, Swartz Investments, Inc., 200 Roswell Summit, Suite 285, 1080 Holcomb Bridge Road, Roswell, GA 30076.

IN WITNESS WHEREOF, this Warrant is hereby executed effective as of the date set forth below.

Dated as of: December ___, 1995 TECHNICLONE INTERNATIONAL CORPORATION

By: _____
Print Name: _____
Title: _____

SUBSCRIPTION FORM

TO: TECHNICLONE INTERNATIONAL CORPORATION

The undersigned hereby irrevocably exercises the right to purchase _____ of the shares of Common Stock of Techniclone International Corporation, a California corporation, evidenced by the attached Warrant, and herewith makes payment of the Exercise Price with respect to such shares in full, all in accordance with the conditions and provisions of said Warrant.

The undersigned agrees not to offer, sell, transfer or otherwise dispose of any of such Common Stock, except in accordance with the provisions of
Section 7 of the Warrant, and consents that the following legend may be affixed to the certificates for the Common Stock hereby subscribed for, if such legend is applicable:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities law, and may not be sold, transferred, pledged, hypothecated or otherwise disposed of until either (i) a registration statement under the Securities Act and applicable state securities laws shall have become effective with regard thereto, or (ii) the corporation shall have received an opinion of counsel acceptable to the corporation and its counsel that an exemption from registration under the Securities Act or applicable state securities laws is available in connection with such offer, sale or transfer."

The undersigned requests that certificates for such shares be issued, and a warrant representing any unexercised portion thereof be issued, pursuant to the Warrant in the name of the Registered Holder and delivered to the undersigned at the address set forth below:

Dated:

Signature of Registered Holder

Name of Registered Holder (Print)

Address

The attached Warrant and the securities issuable on exercise thereof have not been registered under the Securities Act of 1933, as amended, and may not be sold, transferred, pledged, hypothecated or otherwise disposed of in the absence of registration or the availability of an exemption from registration under said Act.

ASSIGNMENT

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

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

Dated:

_____
Signature

Fill in for new Registration of Warrant:

_____
Name

_____
Address

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

NOTICE

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

SUMMARY: TECHNICLONE INTERNATIONAL CORPORATION ANNOUNCES THAT IT HAS RAISED $8.2 MILLION WITH SALE OF 8,200 SHARES OF ITS PREFERRED STOCK

contact: Trudy M. Self (818) 880-5437 or Lon H. Stone Self & Associates or Chairman & CEO, Techniclone Ellen Friedberg (310) 286-2741 (714) 838-0500

Tustin, Calif., December 29, 1995--Techniclone International Corporation (NNOTC: TCLN) announced today that it has raised approximately $8,200,000 by selling 8,200 shares of its preferred stock to offshore institutional investors. The preferred stock is convertible into common stock at an effective conversion price of $3.069 per share of common stock, or 85% of the fair market value of the common stock at the time of conversion, whichever is lower. The sale of the preferred stock was arranged by Swartz Investments, Inc. of Roswell, Georgia.

TCLN intends to use the proceeds from the offering to support its Oncolym(TM) manufacturing effort for the final Oncolym(TM) clinical trials, to fund additional development of its patented tumor necrosis technologies (TNT) and for working capital.

The Company believes that the additional capital resulting from this offering will be sufficient to support the Company's relisting on NASDAQ. TCLN plans to apply for relisting on NASDAQ early in 1996.

TCLN intends to seek approval from the U.S. FDA to commence clinical trials for TNT in 1996. TNT is a broad spectrum antibody with the ability to enhance tumor dosing or targeting across a wide spectrum of solid tumor types, including lung, colon, breast, prostate and pancreatic cancers, without affecting adjacent healthy tissue. Techniclone believes that the potential to treat cancer without injuring surrounding healthy tissue may reduce both the cost and adverse side effects of conventional cancer therapy.

TCLN, located in Tustin, California, was established in 1982 to discover and develop innovative antibodies technologies. The primary programs at TCLN are directed toward the development of monoclonal antibodies for the treatment of cancer.

EXHIBIT 99.1 68

End of Filing

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