PEREGRINE PHARMACEUTICALS INC

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended April 30, 2017
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____to _____

Commission file number: 001-32839

PEREGRINE PHARMACEUTICALS, INC.
(Exact name of Registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock ($0.001 par value per share)	The NASDAQ Stock Market LLC
Preferred Stock Purchase Rights	
10.50% Series E Convertible Preferred Stock ($0.001 par value per share)	The NASDAQ Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates as of October 31, 2016 was $84,450,000.

Number of shares of common stock outstanding as of July 10, 2017: 45,069,188

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates certain information by reference from the registrant's proxy statement for the annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended April 30, 2017.

PEREGRINE PHARMACEUTICALS, INC.
Fiscal Year 2017
Annual Report on Form 10-K

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PART I

In this Annual Report on Form 10-K (the "Annual Report"), unless the context otherwise indicates, the terms "we," "us," "our," "Company" and "Peregrine" refer to Peregrine Pharmaceuticals, Inc., and our wholly-owned subsidiary, Avid Bioservices, Inc. ("Avid"). This Annual Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and uncertainties. The inclusion of forward-looking statements should not be regarded as a representation by us or any other person that the objectives or plans will be achieved because our actual results may differ materially from any forward-looking statement. The words "may," "should," "plans," "believe," "anticipate," "estimate," "expect," their opposites and similar expressions are intended to identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. We caution readers that such statements are not guarantees of future performance or events and are subject to a number of factors that may tend to influence the accuracy of the statements, including but not limited to, those risk factors outlined in the section titled "Risk Factors" as well as those discussed elsewhere in this Annual Report. You should not duly rely on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Annual Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports that we file from time to time with the Securities and Exchange Commission ("SEC") after the date of this Annual Report.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports filed with or furnished to the SEC are available, free of charge, through our website at www.peregrineinc.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The information on, or that can be accessed through, our website is not part of this Annual Report.

Peregrine ® and Avid Bioservices ® are registered trademarks of Peregrine Pharmaceuticals, Inc. All other brand names or trademarks appearing in this Annual Report are the property of their respective holders.

ITEM 1. BUSINESS

Overview

We were originally incorporated in the State of California in June 1981 and reincorporated in the State of Delaware on September 25, 1996. Our principal executive offices are located at 14282 Franklin Avenue, Tustin, California, 92780 and our telephone number is (714) 508-6000. Our Internet website addresses are www.peregrineinc.com and www.avidbio.com. Information contained on, or accessed through, our websites does not constitute any part of this Annual Report.

We are a biopharmaceutical company committed to improving the lives of patients by manufacturing high quality pharmaceutical products through our contract manufacturing business, Avid Bioservices, Inc. ("Avid"), and by advancing and licensing our novel, development-stage immunotherapy product through our research and development business, Peregrine Pharmaceuticals, Inc. ("Peregrine").

Peregrine is focused primarily on the research and development of immune stimulating therapies for the treatment of various cancers. Avid, a wholly-owned subsidiary of Peregrine, is our contract development and manufacturing organization ("CDMO") business.

In June 2016, following the discontinuation of our bavituximab Phase III SUNRISE trial, we announced a shift in our corporate focus toward achieving profitability within two (2) years (during the quarter ending July 31, 2018). This was to be achieved by focusing on revenue growth from our contract manufacturing business, Avid, while also reducing our spending on research and development while continuing to collect and evaluate data from the Phase III SUNRISE trial. We believe we made significant progress towards this goal during the fiscal year ended April 30, 2017 by reducing research and development expenses by fifty-two percent (52%) while simultaneously growing Avid revenues by thirty percent (30%), as compared to the prior fiscal year. The result was a reduction of our net loss by 49% to $28,159,000 for the fiscal year ended April 30, 2017.

While reducing research and development expenses over the past fiscal year, we have also been able to allow the clinical data from the Phase III SUNRISE trial to mature, enabling us to conduct and present data analysis at key scientific meetings that support the clinical development of bavituximab with immune checkpoint inhibitors such as anti-PD-1/PD-L1 therapies. While we currently expect to reduce research and development spending by at least 40% in fiscal year 2018 compared to fiscal year 2017, this reduction in spending will not allow us to advance the bavituximab clinical program through a company sponsored trial. Instead, we are collaborating with leading immunotherapy experts and institutions to continue to drive forward our research and further guide our clinical development program.

With respect to our CDMO business, fiscal year 2017 was a record year for revenues, topping $57 million and representing 30% revenue growth over the prior fiscal year. While we are pleased at the continued year over year revenue growth, we have also recently seen unanticipated decreases in manufacturing demand from our largest customer and a recent regulatory filing delay from our second largest customer which will have some impact on our ability to grow the revenues from our CDMO business in fiscal year 2018 and could impact our ability to achieve overall profitability by the quarter ending July 31, 2018. However, we believe this to be temporary delay in revenue growth during fiscal year 2018 and have recently secured four new customers and are continuing to focus on securing additional customer business in order to better diversify our customer base. Our goal is to maintain profitability for Avid over the short term while positioning the business for long-term growth and attracting the resources necessary to continue to advance our promising research and development efforts.

Importantly, we continually evaluate various strategic options that we believe may enable us to enhance stockholder value, including the possible separation of these two distinct businesses.

Avid—Our CDMO Business

Avid provides fully-integrated current good manufacturing practices ("cGMP") services from cell line development to commercial biomanufacturing of large molecules, such as monoclonal antibodies and recombinant proteins for third-party customers while also supporting Peregrine's internal drug development business. We believe this integration offers considerable time and cost efficiencies for our internal drug development business.

We have been developing and manufacturing biologics since 1993 in our Franklin biomanufacturing facility (the "Franklin Facility") located at our current headquarters in Tustin, California and formed Avid in 2002 to offer these services to third-party customers. These services include cGMP clinical and commercial product manufacturing utilizing stainless steel and single use bioreactor technology, purification, bulk packaging, stability testing and regulatory strategy and support. Avid also provides a variety of process development activities, including cell line development and optimization, cell culture and feed optimization, analytical methods development and product characterization.

In March 2016, Avid expanded its manufacturing capacity through the launch of its Myford biomanufacturing facility (the "Myford Facility"), which doubled our manufacturing capacity. The 42,000 square foot facility, which is our second manufacturing facility, can accommodate single-use bioreactors up to the 2,000-liter manufacturing scale. The Myford Facility was designed to accommodate a fully disposable manufacturing process for products in late stage clinical development to commercial. To date, the Myford Facility has been utilized to complete a number of process validation runs for our third-party customers, which may lead to future commercial production, and has supported the process validation of our lead immunotherapy candidate, bavituximab. The Myford Facility is located adjacent to our Franklin Facility.

As we look to expand the manufacturing capacity of our CDMO business, in February 2017, we leased an additional 42,000 square feet of vacant warehouse space within the same building as our existing Myford Facility. The proximity of this space will allow us to utilize existing manufacturing infrastructure that we believe should enhance our manufacturing efficiencies and reduce the overall cost and timeframe to construct a third biomanufacturing facility. Although we previously anticipated that the new manufacturing facility would be constructed and ready for manufacturing activities by mid-calendar year 2018, due to unanticipated changes in and/or timing of customer demand (as discussed above), we have decided to defer construction of this third facility until demand from existing or potential new customers is expected to exceed the current manufacturing capacity at our Franklin Facility and Myford Facility. Additionally, commencement of construction is also subject to our ability to raise sufficient additional capital to support this expansion effort. As a result, we presently do not expect to commence construction of this third facility prior to April 30, 2018.

To date, Avid has been audited and qualified by large and small, domestic and foreign, biotechnology companies interested in the production of biologic material for clinical and commercial use. Additionally, Avid has been audited by several regulatory agencies, including the U.S. FDA, the European Medicines Agency, the Brazilian Health Surveillance Agency (ANVISA), the Canadian Health Authority and the California Department of Health.

Fiscal Year 2018 Key Objectives—Our CDMO Business

Our key objectives for our contract manufacturing business in the coming fiscal year include:

- Expand our manufacturing capacity through the installation and validation of two 2,000 liter single use bioreactors in our Myford Facility to support the anticipated needs of a current customer; and
- Continue to diversify our customer base by securing additional customers to support our future revenue growth beyond fiscal year 2018.

Peregrine—Our Research and Development Business

Peregrine is developing therapeutics designed to fight cancer by reversing the immunosuppressive environment that tumors establish in order to proliferate. By doing so, these therapeutics allow the immune system to recognize and destroy tumor cells.

Bavituximab is our lead immunotherapy candidate and currently we are collaborating with the National Comprehensive Cancer Network® ("NCCN") and Memorial Sloan Kettering Cancer Center ("MSKCC"), to evaluate the potential of bavituximab in combination with immune stimulating therapies.

Bavituximab is a monoclonal antibody that targets and binds to phosphatidylserine ("PS"), a highly immunosuppressive molecule that is usually located inside the membrane of healthy cells, but then "flips" and becomes exposed on the outside of cells in the tumor microenvironment, causing the tumor to evade immune detection. Bavituximab targets and binds to PS to block this immunosuppressive pathway and simultaneously activates adaptive immunity, thereby enabling the immune system to recognize and fight the tumor.

Clinical Development Strategy

In June 2016, we announced a clinical development strategy focused on conducting small, early stage studies of bavituximab in combination with immune stimulating therapies. These trials may be conducted independently, in conjunction with our collaborators, or through investigator sponsored trials ("ISTs"). The goal of these trials is to generate compelling clinical and translational data demonstrating bavituximab's immunotherapeutic mechanism of action in a combination treatment setting. Additionally, we are in the process of completing an extensive review and analysis of the available data from the discontinued Phase III SUNRISE trial discussed below and testing the numerous collected samples for potential biomarkers in order to determine if certain subgroups may have benefited more from the bavituximab treatment. We believe such information will assist us in guiding the bavituximab clinical program. In keeping with this strategy, we are evaluating options to advance clinical development of bavituximab in an efficient and cost-effective way.

We believe this strategy will allow us to (i) continue our research and development activities while avoiding costly, later stage clinical trials, thereby allowing us to achieve profitability sooner, and (ii) generate additional data that we believe, if positive, could create future potential value, including attracting potential licensing partners or re-engaging our collaboration with AstraZeneca.

NCCN Collaboration

In January 2016, we announced that we entered into a research collaboration with NCCN, a not-for-profit alliance of 27 of the world's leading cancer centers, to expand the clinical research and development of bavituximab for the treatment of a range of tumors. Under this research collaboration, we are funding three ISTs and related correlative studies with bavituximab at NCCN member institutions and their affiliate community hospitals through a $2 million research grant to NCCN's Oncology Research Program. NCCN is responsible for oversight and monitoring of the three clinical studies awarded under the research grant. In September 2016, NCCN announced that investigators at the following NCCN-affiliated institutions received the grant award:

1. Moffitt Cancer Center—A Phase I Trial of Sorafenib and Bavituximab Plus Stereotactic Body Radiation Therapy for Unresectable Hepatitis C Associated Hepatocellular Carcinoma. This trial is open for enrollment.
2. Massachusetts General Hospital Cancer Center—Phase I/II Clinical Trial of Bavituximab with Radiation and Temozolomide for Patients with Newly Diagnosed Glioblastoma. This trial is open for enrollment.
3. The Sidney Kimmel Comprehensive Cancer Center at Johns Hopkins—Phase II Study of Pembrolizumab and Bavituximab for Progressive Recurrent/Metastatic Squamous Cell Carcinoma of the Head and Neck. We expect this trial to be initiated by the end of the calendar year 2017 .

MSKCC Collaboration

In May 2015, we entered into a sponsored research agreement with investigators at MSKCC to identify effective treatment combinations based on our PS-targeting agents, including bavituximab, with other checkpoint inhibitors or immune stimulating agents that will further guide our clinical development program.

In November 2016, we announced initial results from our collaboration with the investigators at MSKCC at the Society for Immunotherapy of Cancer (SITC) Annual Meeting. Study results highlighted that PS-targeting antibodies similar to bavituximab synergize with checkpoint inhibitors and radiation to improve anti-tumor activity in various animal tumor models.

A team of MSKCC researchers evaluated the effects of combining PS-targeting, anti-PD-1 and radiation therapies in the mouse B16 melanoma model. Study data showed that PS-targeting antibodies synergize with both anti-PD-1 and radiation therapy to improve anti-cancer activity. PS-targeting treatment in combination with radiation, as well as triple combination of PS-targeting treatment, anti-PD-1 and radiation, led to a reduction in tumor burden. Median survival for the triple combination treatment still had not been reached at the end of the 80-day observation period, while other arms in the study showed median survival that ranged from 24–70 days.

Researchers also evaluated the impact of the PS-targeting and radiation combination treatment on the level and type of immune activity. These results demonstrated that the combination led to a change in the tumor microenvironment, shifting it from immunosuppressive in which tumors are protected to immune-active in which tumors are more susceptible to treatment. Analysis of local immune responses in the tumors of the treated animals showed that the combination treatment increased the number of tumor associated macrophages and shifted the macrophage polarization from the immunosuppressive M2 type to the immune active M1 type. When systemic immune responses were analyzed following the triple combination of PS-targeting, anti-PD-1 and radiation therapies, researchers also saw evidence of increased immune activity. This was illustrated by key indicators of immune activity, including increases in CD8+ T–cell activation, effector cytokine production and differentiation into effector memory cells.

In April 2017, at the Annual Meeting of the American Association for Cancer Research ("AACR"), researchers from MSKCC presented preclinical study results highlighting the potential of our PS-targeting antibodies to enhance the anti-tumor activity of adoptive T cell transfer therapy without triggering off-target toxicities. The researchers evaluated and compared the anti-tumor activity and off-target toxicities of adoptive T cell transfer therapy in combination with either PS-targeting antibodies or anti-OX40 antibodies in mice with advanced melanomas. Whereas PS-targeting and anti-OX40 demonstrated comparable tumor regression when administered in combination with transferred adoptive T cells, only the PS-targeting combination achieved these results without any detectable off-target toxicities. By contrast, the anti-OX40 treatment combination triggered off-target inflammatory destruction of healthy tissues. Additional study results demonstrated that the PS-targeting antibodies decreased tumor-induced immunosuppression as evidenced by a decrease in immunosuppressive regulatory T cells and M2 macrophages.

The preclinical data from both of these studies has further supported our belief that bavituximab modulates the immunosuppressive tumor microenvironment and enhances the activity of other immunotherapy agents. MSKCC continues to evaluate bavituximab with other immunotherapy agents, which will further guide our clinical development program.

Phase III SUNRISE Trial

In December 2013, we initiated a randomized, double-blind, placebo-controlled Phase III trial evaluating bavituximab plus docetaxel, versus docetaxel plus placebo, for the treatment of previously-treated NSCLC (the "Phase III SUNRISE trial").

In February 2016, we announced that we were discontinuing the Phase III SUNRISE trial based on the recommendation of the study's Independent Data Monitoring Committee following a pre-specified interim analysis performed after 33% of targeted overall events (patient deaths). Results of the analysis demonstrated that the patients treated in the bavituximab plus docetaxel treatment arm did not show a sufficient improvement in overall survival as compared to the patients treated in the docetaxel plus placebo treatment arm to warrant continuation of the study. Patient enrollment was discontinued and existing patients in the trial were given the choice to continue chemotherapy and/or bavituximab, as appropriate. Patient treatment and follow-up data from the trial were collected through March 2017 and the trial is now closed.

Following the discontinuation of the Phase III SUNRISE trial, we promptly initiated and are nearing completion of an extensive review and analysis of the available data and testing the numerous collected samples for potential biomarkers in order to understand what subgroups may have benefited more from the bavituximab treatment. We believe such information will be important in supporting and refining our clinical strategy, as discussed above.

The most compelling data to date was presented in April 2017 at the Annual Meeting of the AACR. In a subgroup analysis, we looked at the outcome of 91 patients that were enrolled in the Phase III SUNRISE trial that were subsequently treated with immune checkpoint inhibitors ("ICI's") post study treatments. The results from this analysis demonstrated that the patients who received docetaxel plus bavituximab and subsequent ICI's (anti-PD-1/PD-L1) had not yet reached median overall survival ("mOS") compared to mOS of 13.0 months for patients who received docetaxel plus placebo (hazard ratio [HR], 0.43; p=0.005). The statistically significant difference between the two arms in the trial provides strong rationale for combining bavituximab with ICI's and supports the hypothesis that bavituximab may modulate the tumor microenvironment to enhance the anti-tumor activity of ICI's .

In June 2017, we announced additional supportive data at the Annual Meeting of the American Society of Clinical Oncology ("ASCO") demonstrating that patients in the bavituximab containing arm who had low baseline PD-L1 expression on tumor cells (i.e., patients typically with poorer response to PD-1/PD-L1 checkpoint inhibitors) lived significantly longer than patients with high baseline PD-L1 expression. These data further support the hypothesis that bavituximab may modulate the tumor microenvironment to complement and enhance the anti-tumor activity of ICI's.

Antibody Discovery Technology

Recently, our scientists have developed an antibody discovery and characterization platform through which we can generate antibodies against virtually any target. These capabilities are state-of-the-art and meant for rapid screening for high affinity antibodies as drug candidates. These capabilities are a natural extension of the services we already offer through Avid and it may represent a way to bring in customers at a much earlier stage of development with the potential to move them quickly into process development and cGMP manufacturing. Continuing to diversify our customer base is one of our key initiatives at Avid and we believe the antibody discovery capabilities will help attract new customers. The antibody discovery capabilities can also be used in our research and development business to rapidly identify antibodies against known targets as well as to identify novel targets. The antibody discovery platform is now fully functional and we are in the process of evaluating the technology through identifying several known targets and thus far, the results have looked promising. Once this process is completed, the technology platform will be marketed to potential customers as part of our CDMO service offerings.

Exosome Technology

We licensed from The University of Texas System, on behalf of The University of Texas Southwestern Medical Center ("UTSWMC") in July 2016, proprietary exosome-based cancer diagnostic technology, with the goal of developing an optimized test for further clinical testing in collaboration with a potential partner. The platform is based on the diagnostic potential of tumor derived exosomes, which are small vesicles from tumor cells that are released into the blood as tumors grow. Tumor derived exosomes have PS on their surface as a potentially detectable marker. It is believed that even small tumors begin to release PS-positive exosomes and thus the ability to detect these exosomes in the blood may be an indicator of the presence of a tumor.

In the study published by Oncotarget, plasma samples from 34 patients with ovarian tumors and 10 healthy subjects were analyzed for the presence of PS-expressing exosomes in a blinded test. Results demonstrated that those patients with malignant ovarian cancer displayed significantly higher blood PS exosome levels than those with benign tumors (median 0.237 vs. -0.027, p=0.0001) and the malignant and benign groups displayed significantly higher blood PS exosome levels than the healthy subjects (median 0.237 vs -0.158, $p < 0.0001$ and -0.027 vs -0.158, p=0.0002, respectively).

Fiscal Year 2018 Objectives—Our Research and Development Business

Our objectives for our research and development business in the coming fiscal year include:

- Determine the optimal path forward for bavituximab based on the final evaluation of all data collected from our completed Phase III SUNRISE trial;
- Support the advancement of our NCCN collaboration and the underlying clinical trials to evaluate bavituximab in combination with other therapies, including immune stimulating therapies;
- Support any new potential ISTs, which could provide further confirmation of bavituximab's immunotherapeutic mechanism of action in the clinic;
- Generate additional preclinical, translational, and clinical data to further demonstrate the immunotherapeutic mechanism of action of bavituximab as we continue to identify new clinical indications, therapeutic combinations and potential partnerships; and,
- Complete the evaluation process for the antibody discovery platform and begin offering as a CDMO service through Avid Bioservices.

Reverse Stock Split

On July 7, 2017, we effected a reverse stock split of our outstanding shares of common stock at a ratio of one-for-seven, which took effect with the opening of trading on July 10, 2017. All common stock share and per share amounts in this Annual Report have been adjusted to give effect to the one-for-seven reverse stock split, retrospectively.

In-Licensing Agreements

The following is a summary of our key in-licensing agreements covering bavituximab, our lead immunotherapy product in clinical development.

In August 2001 and August 2005, we exclusively in-licensed the worldwide rights to the PS-targeting technology platform, including bavituximab, from The University of Texas System, on behalf of UTSWMC. In November 2003, we entered into a non-exclusive license agreement with Genentech, Inc. ("Genentech"), to license certain intellectual property rights covering methods and processes for producing antibodies used in connection with the development of our PS-targeting program. In December 2003, we entered into an exclusive commercial license agreement with Avanir Pharmaceuticals, Inc., ("Avanir") covering the generation of a chimeric monoclonal antibody. In March 2005, we entered into a worldwide non-exclusive license agreement with Lonza Biologics ("Lonza") for intellectual property and materials relating to the expression of recombinant monoclonal antibodies for use in the manufacture of bavituximab.

Under our in-licensing agreements relating to bavituximab, we are obligated to pay future milestone payments based on potential clinical development and regulatory milestones, plus a royalty on net sales and/or a percentage of sublicense income. The applicable royalty rate under each of the foregoing in-licensing agreements is in the low single digits. We did not incur any milestone related expenses during the three fiscal years ended April 30, 2017.

The following table provides certain information with respect to each of our in-licensing agreements relating to our bavituximab program.

Licensor	Agreement Date	Total Milestone Obligations Expensed To Date	Potential Future Milestone Obligations [1]
UTSWMC	August 2001	$ 173,000	$ 300,000
UTSWMC	August 2005	85,000	375,000
Lonza	March 2005	64,000	–[2]
Avanir	December 2003	100,000	1,000,000
Genentech	November 2003	500,000	5,000,000
Total		$ 922,000	$ 6,675,000

(1) Under our current agreements, potential future milestone obligations are due upon achieving certain clinical and regulatory milestones. Based on the current stage of clinical development for bavituximab, future milestone obligations would be due upon submission of a biologics license application in the U.S. and upon FDA approval, which events are currently uncertain and depend on positive clinical trial results. In addition, potential future milestone obligations vary by license agreement (as defined in each license agreement) and certain agreements depend on a valid patent claim, as defined in each of these underlying agreements, at the time the potential milestone is achieved.

(2) In the event we utilize a third-party contract manufacturer other than Lonza to manufacture bavituximab for commercial purposes, we would owe Lonza 300,000 pounds sterling per year.

We do not expect to incur any milestone related expenses regarding our bavituximab program during fiscal year 2018. In addition, of the total potential future milestone obligations of $6,675,000, up to $6,400,000 would be due upon the first commercial approval of bavituximab pursuant to these in-licensing agreements. However, given the uncertainty of the drug development and the regulatory approval process, we are unable to predict with any certainty when any of these future milestones will occur, if at all.

Government Regulation

Regulation by governmental authorities in the U.S. and other countries is a significant factor in our ongoing research and development activities and in the production of our products under development. Our products and our research and development activities are subject to extensive governmental regulation in the U.S., including the Federal Food, Drug, and Cosmetic Act, as amended, the Public Health Service Act, as amended, as well as to other federal, state and local statutes and regulations. These laws, and similar laws outside the U.S., govern the clinical and non-clinical testing, manufacture, safety, effectiveness, approval, labeling, distribution, sale, import, export, storage, record keeping, reporting, advertising and promotion of our products, if approved. Violations of regulatory requirements at any stage may result in various adverse consequences, including regulatory delay in approving or refusal to approve a product, enforcement actions, including withdrawal of approval, labeling restrictions, seizure of products, fines, injunctions and/or civil or criminal penalties. Any product that we develop must receive all relevant regulatory approvals or clearances before it may be marketed in a particular country.

The regulatory process, which includes extensive preclinical testing and clinical trials of each product candidate to study its safety and efficacy, is uncertain, takes many years and requires the expenditure of substantial resources.

The activities required before a product, such as bavituximab, may be marketed in the U.S. are generally performed in the following sequential steps:

1. *Preclinical testing.* This generally includes evaluation of our products in the laboratory or in animals to characterize the product and determine safety and efficacy. Some preclinical studies must be conducted by laboratories that comply with FDA regulations regarding good laboratory practice.

2. *Submission to the FDA of an Investigational New Drug ("IND") application.* The results of preclinical studies, together with manufacturing information, analytical data and proposed clinical trial protocols, are submitted to the FDA as part of an IND application, which must become effective before the clinical trials can begin. Once a new IND application is filed, the FDA has 30 days to review the IND application. The IND application will automatically become effective 30 days after the FDA receives the application, unless the FDA indicates prior to the end of the 30-day period that the application raises concerns that must be resolved to the FDA's satisfaction before clinical trials may proceed. If the FDA raises concerns at any time, we may be unable to resolve the issues in a timely fashion, if at all.

3. *Completion of clinical trials.* Human clinical trials are necessary to seek approval for a new drug or biologic and typically involve a three-phase process. In Phase I, small clinical trials are generally conducted to determine the safety of the product. In Phase II, clinical trials are generally conducted to assess safety and acceptable dose and gain preliminary evidence of the efficacy of the product. In Phase III, clinical trials are generally conducted to provide sufficient data for the statistically valid proof of safety and efficacy. A clinical trial must be conducted according to good clinical practices under protocols that detail the trial's objectives, inclusion and exclusion criteria, the parameters to be used to monitor safety and the efficacy criteria to be evaluated, and informed consent must be obtained from all study subjects. Each protocol involving U.S. trial sites must be submitted to the FDA as part of the IND application. The FDA may impose a clinical hold on an ongoing clinical trial if, for example, safety concerns arise, in which case the study cannot recommence without FDA authorization under terms sanctioned by the FDA. Similarly, trials conducted outside the U.S. require notification and/or approval by the governing health authority. In addition, before a clinical trial can be initiated, each clinical site or hospital administering the product must have the protocol reviewed and approved by an institutional review board ("IRB") or independent ethics committee ("IEC"). The IRB/IEC will consider, among other things, ethical factors and the safety of human subjects. The IRB/IEC may require changes in a protocol, which may delay initiation or completion of a study. Phase I, Phase II or Phase III clinical trials may not be completed successfully within any specific period of time, if at all, with respect to any of our potential products. Furthermore, we, the governing health authority (including the FDA) or an IRB/IEC may suspend a clinical trial at any time for various reasons, including a finding that patients are being exposed to an unacceptable health risk.

4. Submission to the FDA of a Biologics License Application ("BLA") or New Drug Application ("NDA"). After completion of clinical studies for an investigational product, a BLA or NDA is submitted to the FDA for product marketing approval. No action can be taken to market any new drug or biologic product in the U.S. until the FDA has approved an appropriate marketing application.

5. *FDA review and approval of the BLA or NDA before the product is commercially sold or shipped.* The results of preclinical studies, clinical trials and manufacturing information are submitted to the FDA in the form of a BLA or NDA for approval to manufacture, market and ship the product for commercial use. The FDA may take a number of actions after the BLA or NDA is filed, including but not limited to, denying the BLA or NDA if applicable regulatory criteria are not satisfied, requiring additional clinical testing or information, or requiring post-market testing and surveillance to monitor the safety or efficacy of the product. Adverse events that are reported after marketing approval can result in additional limitations being placed on the product's use and, potentially, withdrawal of the product from the market. Any adverse event, either before or after marketing approval, can result in product liability claims against us.

In addition, we are subject to regulation under state, federal, and international laws and regulations regarding occupational safety, laboratory practices, environmental protection and hazardous substance control, and other regulations. Our clinical trial and research and development activities involve the controlled use of hazardous materials, chemicals and radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our financial resources. In addition, disposal of radioactive materials used in our clinical trials and research efforts may only be made at approved facilities. We believe that we are in material compliance with all applicable laws and regulations including those relating to the handling and disposal of hazardous and toxic waste.

Our product candidates, if approved, may also be subject to import laws in other countries, the food and drug laws in various states in which the products are or may be sold and subject to the export laws of agencies of the U.S. government.

In addition, we must also adhere to cGMP and product-specific regulations enforced by the FDA through its facilities inspection program. Failure to comply with manufacturing regulations can result in, among other things, warning letters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to renew marketing applications and criminal prosecution.

Manufacturing and Raw Materials

We manufacture cGMP pharmaceutical-grade products for our customers and to supply our clinical trials through our wholly-owned subsidiary, Avid. The process for manufacturing generally uses commercially available raw materials from multiple suppliers, and in some instances, from a sole source supplier. We currently do not have long-term supply contracts with these suppliers, and accordingly, we may experience delays in receiving raw materials to support the manufacturing of these cGMP pharmaceutical-grade products. However, to date, we have not experienced any significant difficulty in obtaining these raw materials.

Patents and Trade Secrets

We continue to seek patents on inventions originating from our ongoing research and development activities and in collaboration with other companies and university researchers. In addition to seeking patent protection in the U.S., we typically file patent applications in Europe, Canada, Japan and additional countries on a selective basis. Patents, issued or applied for, cover inventions relating in general to cancer therapy and anti-viral therapy and in particular to different proteins, peptides, antibodies and conjugates, methods and devices for labeling antibodies, and therapeutic and diagnostic uses of the peptides, antibodies and conjugates. We intend to pursue opportunities to license these technologies and any advancements or enhancements, as well as to pursue the incorporation of our technologies in the development of our own products.

Our issued patents extend for varying periods according to the date of patent application filing and/or grant and the legal term of patents in the various countries where patent protection is obtained. In the U.S., patents issued on applications filed prior to June 8, 1995 have a term of 17 years from the issue date or 20 years from the earliest effective filing date, whichever is longer. U.S. patents issued on applications filed on or after June 8, 1995, have a term first calculated as 20 years from the earliest effective filing date, not counting any provisional application filing date. Certain U.S. patents issued on applications filed on or after June 8, 1995, and particularly on applications filed on or after May 29, 2000, are eligible for Patent Term Adjustment, which extends the term of the patent to compensate for delays in examination at the U.S. Patent and Trademark Office. The term of foreign patents varies in accordance with provisions of applicable local law, but is typically 20 years from the effective filing date, which is often the filing date of an application under the provisions of the Patent Cooperation Treaty.

In addition, in certain cases, the term of U.S. and foreign patents can be extended to recapture a portion of the term effectively lost as a result of health authority regulatory review. As such, certain U.S. patents may be eligible for Patent Term Extension under 35 U.S.C. § 156 (known as “the Hatch-Waxman Act”) to restore the portion of the patent term that has been lost as a result of review at the U.S. FDA. Such extensions, which may be up to a maximum of five years (but cannot extend the remaining term of a patent beyond a total of 14 years), are potentially available to one U.S. patent that claims an approved human drug product (including a human biological product), a method of using a drug product, a method of manufacturing a drug product, or a medical device.

We consider that in the aggregate our patents, patent applications and licenses under patents owned by third parties are of material importance to our operations. Of the patent portfolios that are owned, controlled by or exclusively licensed to us, those concerning our PS-targeting technology platform, including bavituximab are of particular importance to our operations and our clinical pipeline.

Our patent portfolios relating to the PS-targeting technology platform in oncology include U.S. and foreign patents and patent applications with claims directed to methods, compositions and combinations for targeting tumor vasculature and imaging and treating cancer using antibodies and conjugates that localize to the aminophospholipids, PS (Phosphatidylserine) and PE (Phosphatidylethanolamine), exposed on tumor vascular endothelial cells. These patents are currently set to expire between 2019 and 2021.

Our patent portfolios relating to the PS-targeting technology platform in the viral field include U.S. and foreign patents and patent applications with claims directed to methods, compositions and combinations for inhibiting viral replication or spread and for treating viral infections and diseases using antibodies, certain peptides and conjugates that localize to the aminophospholipids, PS and PE, exposed on viruses and virally-infected cells. Such anti-viral patents concerning antibodies and conjugates are currently set to expire in 2023.

Additionally, we have U.S. and foreign patents and patent applications relating more specifically to our product, bavituximab, including composition of matter, combinations and methods of use in treating angiogenesis and cancer and in treating viral infections and diseases, alone and in combination therapies. These patents that more specifically concern bavituximab compositions and their use in treating cancer, both alone and in combination therapies, are currently set to expire between 2023 and 2025.

The information given above is based on our current understanding of the patents and patent applications that we own, control, or have exclusively licensed. The information is subject to revision, for example, in the event of changes in the law or legal rulings affecting our patents, or if we become aware of new information. In particular, the expiry information given above does not account for possible extension of any U.S. or foreign patent to recapture patent term effectively lost as a result of FDA or other health authority regulatory review. We intend to seek such extensions, as appropriate to approved product(s), which may be up to a maximum of five years (but not extending the term of a patent beyond 14 years).

The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. We have either been issued patents or have patent applications pending that relate to a number of current and potential products including products licensed to others. In general, we have obtained licenses from various parties that we deem to be necessary or desirable for the manufacture, use or sale of our products. These licenses (both exclusive and non-exclusive) generally require us to pay royalties to the parties.

We also own trademarks to protect the names of our products and services. Trademark protection continues in some countries so long as the trademark is used, and in other countries, so long as the trademark is registered. Trademark registration is for fixed terms and can be renewed indefinitely.

With respect to our contract manufacturing business, we have acquired and developed and continue to acquire and develop knowledge and expertise (“know-how”) and trade secrets in the provision of process development and manufacturing services. Our know-how and trade secrets may not be patentable, but they are valuable in that they enhance our ability to provide high-quality services to our customers. We also intend to continue to rely upon trade secrets and improvements, unpatented proprietary know-how, and continuing technological innovation to develop and maintain our competitive position in research and development of our therapeutic and diagnostic products. We typically place restrictions in our agreements with third-parties, which contractually restrict their right to use and disclose any of our proprietary technology with which they may be involved. In addition, we have internal non-disclosure safeguards, including confidentiality agreements, with our employees.

Segment Information

Our business is organized into two reportable operating segments. Peregrine is engaged in the research and development of monoclonal antibodies focused on the treatment of cancer and has not generated any product sales from any of its technologies under development. Our wholly-owned subsidiary, Avid, is engaged in providing fully-integrated cGMP biomanufacturing services for us and its third-party customers. In addition, we had no foreign based operations and no long-lived assets located in foreign countries as of and for the fiscal years ended April 30, 2017, 2016 and 2015. Refer to Note 10, "Segment Reporting" to the accompanying consolidated financial statements for additional financial information regarding our operating segments.

Customers

Contract manufacturing revenue has historically been derived from a small customer base. For the fiscal year ended April 30, 2017, approximately 98% of contract manufacturing revenue was generated from three customers. For the fiscal years ended April 30, 2016 and 2015, approximately 95% and 91%, respectively, of contract manufacturing revenue was generated from two customers. In addition, typically we have not entered into long-term commitments with these third-party customers because their need for product supply depends on a variety of factors, including the products stage of development, the timing of regulatory filings and approvals, the product needs of their collaborators, if applicable, their financial resources and the market demand with respect to commercial products. Our future results of operations could be adversely affected if revenue from any one of our primary customers is significantly reduced or eliminated. Refer to Note 10, "Segment Reporting" to the accompanying consolidated financial statements for additional financial information regarding Avid's customer concentration and geographic areas of its customers.

Competition

The CDMO and pharmaceutical and biotechnology industries are intensely competitive. Our competition in the CDMO market includes full-service contract manufacturers and large pharmaceutical companies offering third-party manufacturing services to fill their excess capacity. Also, large pharmaceutical companies have been seeking to divest portions of their manufacturing capacity, and any such divested businesses may compete with us in the future. In addition, most of our competitors may have substantially greater financial, marketing, technical or other resources than we do. Moreover, additional competition may emerge and may, among other things, result in a decrease in the fees paid for our services, which would affect our results of operations and financial condition.

Our competition in the pharmaceutical and biotechnology industry includes several pharmaceutical and biotechnology companies actively engaged in research and development of immunotherapy-based products that have commenced clinical trials with, or have successfully commercialized, these products. Some or all of these companies may have greater financial resources, larger technical staffs and larger research budgets than we have, as well as greater experience in developing products and running clinical trials.

With respect to our lead immunotherapy candidate, bavituximab, we are not aware of any other company developing an investigational product similar to bavituximab, however, before we can more clearly define our competition, we will need to generate additional clinical data from our current or potential future planned trials.

Research and Development

The majority of our operating expenses to date have been related to research and development. Research and development expenses primarily include (i) payroll and related costs, including share-based compensation, associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing of our technologies under development, (iii) costs to develop and manufacture the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development efforts and have no alternative future uses. Research and development expenses were $28,297,000 in fiscal year 2017, $59,529,000 in fiscal year 2016, and $42,996,000 in fiscal year 2015.

Human Resources

As of April 30, 2017, we employed 319 full-time employees and four part-time employees. None of our employees are covered by a collective bargaining agreement. We have never experienced employment-related work stoppages and consider our employee relations to be good.

ITEM 1A. RISK FACTORS

You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this report, including our financial statements and the related notes thereto, before making a decision to invest in our securities. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or that we currently believe are not material, also may become important factors that affect us and impair our business operations. The occurrence of any of the events or developments discussed in the risk factors below could have a material and adverse impact on our business, results of operations, financial condition and cash flows, and in such case, our future prospects would likely be materially and adversely affected. If any of such events or developments were to happen, the trading price of our common stock and the value of our 10.50% Series E Convertible Preferred Stock could decline, and you could lose part or all of your investment.

RISKS RELATED TO OUR BUSINESS

IF WE CANNOT OBTAIN ADDITIONAL FUNDING, WE MAY HAVE TO DELAY, SCALE BACK, OR ELIMINATE SOME OR ALL OUR RESEARCH AND DEVELOPMENT EFFORTS, AND/OR RESTRUCTURE OUR OPERATIONS.

At April 30, 2017, we had $46,799,000 in cash and cash equivalents. We have expended substantial funds on the research and development of our product candidates, and funding the operations of Avid. As a result, we have historically experienced losses and negative cash flows from operations since our inception and we expect negative cash flows from operations to continue for the foreseeable future until we can generate sufficient revenue from Avid's contract manufacturing services to achieve profitability. Therefore, unless and until we are able to generate sufficient revenue from Avid's contract manufacturing services or from the sale or licensing of our product candidate under development, we expect such losses to continue through at least the fiscal year ending April 30, 2018, and as a result, we will require additional capital to fund our operations and to execute our business plans.

Our ability to continue to fund our operations is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, (i) raising additional capital in the equity markets, (ii) generating additional contract manufacturing revenue from Avid, or (iii) licensing or partnering our product candidate in development.

Historically, we have funded a significant portion of our operations through the issuance of equity. During fiscal year 2017, we raised $31,277,000 in aggregate gross proceeds from the sale of shares of our common stock and raised an additional $1,634,000 in aggregate gross proceeds from the sale of shares of our 10.50% Series E Convertible Preferred Stock (the "Series E Preferred Stock") (as described in Note 5 to the accompanying consolidated financial statements). Subsequent to April 30, 2017 and through June 30, 2017, we raised an additional $4,304,000 in aggregate gross proceeds from the sale of shares of our common stock (as described in Note 12 to the accompanying consolidated financial statements). As of July 14, 2017, $67,674,000 remained available to us under our effective shelf registration statement, which allows us from time to time to offer and sell shares of our common stock, in one or more offerings, either individually or in combination.

Our ability to raise additional capital in the equity markets to fund our obligations in future periods is dependent on a number of factors, including, but not limited to, the market demand for our common stock. The market demand or liquidity of our common stock is subject to a number of risks and uncertainties, including but not limited to, negative economic conditions, adverse market conditions, adverse financial results, and negative research and development results. In addition, on July 7, 2017, we effected a reverse stock split of our issued and outstanding common stock at a ratio of one-for-seven, which took effect with the opening of trading on July 10, 2017 (as described in Note 1 to the accompanying consolidated financial statements). While the reverse stock split resulted in an increase in the market price of our common stock, it also reduced the number of shares outstanding, which could adversely affect the liquidity of our common stock. Because we have predominately raised capital through sales arrangements that are dependent on the trading volume of our common stock, any adverse effect on liquidity could negatively impact our ability to raise additional capital in the equity markets. In such a case, we may not be able to rely on the sale of shares of our common stock to fund our operations to the extent we have in prior years.

With respect to our ability to generate additional contract manufacturing revenue, Avid has a revenue backlog of $58 million under signed contracts from existing customers, which is consistent with the revenue backlog we reported as of April 30, 2016. As such, we may not be able to rely on generating additional contract manufacturing revenue from Avid in fiscal year 2018 to make up any capital raising shortfall experienced through the equity markets.

If we are unable to either (i) raise sufficient capital in the equity markets, (ii) generate additional contract manufacturing revenue from Avid, or (iii) license or partner our product in development, or any combination thereof, we may need to delay, scale back, or eliminate all our research and development efforts, or restructure our operations. In addition, even if we are able to raise additional capital, it may not be at a price or on terms that are favorable to us.

As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern within one year after the date that our financial statements are issued. Our independent registered public accounting firm included an explanatory paragraph highlighting this uncertainty in its "Report of Independent Registered Public Accounting Firm" dated July 14, 2017, which report is included in Item 15 of Part IV of this Annual Report.

WE HAVE HAD SIGNIFICANT LOSSES, ANTICIPATE FUTURE LOSSES AND MAY NEVER ACHIEVE PROFITABILITY.

We have incurred net losses in most fiscal years since we began operations in 1981. The following table represents net losses incurred for each of the past three fiscal years:

	Net Loss
Fiscal Year 2017	$ 28,159,000
Fiscal Year 2016	$ 55,652,000
Fiscal Year 2015	$ 50,358,000

As of April 30, 2017, we had an accumulated deficit of $537,435,000. In addition, we expect negative cash flows from operations to continue for the foreseeable future until we can generate sufficient revenue from Avid's contract manufacturing services to achieve profitability. Further, if we fail to generate sufficient revenue from Avid's contract manufacturing services or at all, we may never achieve profitability.

OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM HAS EXPRESSED SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN, AND ABSENT ADDITIONAL FINANCING, WE MAY BE UNABLE TO REMAIN A GOING CONCERN.

In its report accompanying our audited consolidated financial statements for the fiscal year ended April 30, 2017, our independent registered public accounting firm included an explanatory paragraph stating that our recurring losses from operations and negative cash flows from operating activities raise substantial doubt as to our ability to continue as a going concern. Our financial statements do not include any adjustments that may be necessary in the event we are unable to continue as a going concern. We may need to significantly modify our operation plans in an effort to continue as a going concern. Absent sufficient additional capital, which we may be unable to raise on commercially reasonable terms or at all, we may be unable to remain a going concern.

FAILURE TO COMPLY WITH EXISTING AND FUTURE REGULATORY REQUIREMENTS COULD ADVERSELY AFFECT OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Our industry is highly regulated. We are required to comply with the regulatory requirements of various local, state, provincial, national and international regulatory bodies having jurisdiction in the countries or localities in which we manufacture products or in which our customers' products are distributed. In particular, we are subject to laws and regulations concerning development, testing, manufacturing processes, equipment and facilities, including compliance with cGMPs, import and export, and product registration and listing, among other things. As a result, most of our facilities are subject to regulation by the FDA, as well as regulatory bodies of other jurisdictions such as the EMEA and/or Health Canada, depending on the countries in which our customers market and sell the products we manufacture on their behalf. As we expand our operations and geographic scope, we may be exposed to more complex and new regulatory and administrative requirements and legal risks, any of which may require expertise in which we have little or no experience. It is possible that compliance with new regulatory requirements could impose significant compliance costs on us. Such costs could have a material adverse effect on our business, financial condition and results of operations.

These regulatory requirements impact many aspects of our operations, including manufacturing, developing, storage, distribution, import and export and record keeping related to customers' products. Noncompliance with any applicable regulatory requirements can result in government refusal to approve (i) facilities for testing or manufacturing products or (ii) products for commercialization. The FDA and other regulatory agencies can delay, limit or deny approval for many reasons, including:

- changes to the regulatory approval process, including new data requirements for product candidates in those jurisdictions, including the United States, in which our customers may be seeking approval;
- that a customer's product candidate may not be deemed to be safe or effective;
- the ability of the regulatory agency to provide timely responses as a result of its resource constraints; and
- that the manufacturing processes or facilities may not meet the applicable requirements.

In addition, if new legislation or regulations are enacted or existing legislation or regulations are amended or are interpreted or enforced differently, we may be required to obtain additional approvals or operate according to different manufacturing or operating standards. This may require a change in our development and manufacturing techniques or additional capital investments in our facilities. Any related costs may be significant. If we fail to comply with applicable regulatory requirements in the future, then we may be subject to warning letters and/or civil or criminal penalties and fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, restrictions on the import and export of our products, debarment, exclusion, disgorgement of profits, operating restrictions and criminal prosecution and the loss of contracts and resulting revenue losses. Inspections by regulatory authorities that identify any deficiencies could result in remedial actions, production stoppages or facility closure, which would disrupt the manufacturing process and supply of product to our customers. In addition, such failure to comply could expose us to contractual and product liability claims, including claims by customers for reimbursement for lost or damaged active pharmaceutical ingredients ("APIs") or recall or other corrective actions, the cost of which could be significant.

In addition, products we manufacture must undergo pre-clinical and clinical evaluations relating to product safety and efficacy before they are approved as commercial therapeutic products. The regulatory authorities having jurisdiction in the countries in which we or our customers intend to market their products may delay or put on hold clinical trials or delay approval of a product or determine that the product is not approvable. The FDA or other regulatory agencies can delay approval of a drug if our manufacturing facility, including any newly commissioned facility, is not able to demonstrate compliance with cGMPs, pass other aspects of pre-approval inspections or properly scale up to produce commercial supplies. The FDA and comparable government authorities having jurisdiction in the countries in which we or our customers intend to market their products have the authority to withdraw product approval or suspend manufacture if there are significant problems with raw materials or supplies, quality control and assurance or the product we manufacture is adulterated or misbranded. If our manufacturing facilities and services are not in compliance with FDA and comparable government authorities, we may be unable to obtain or maintain the necessary approvals to continue manufacturing products for our customers, which would materially adversely affect our results of operations and financial condition.

THE FAILURE TO RECEIVE OR MAINTAIN REGULATORY APPROVAL FOR OUR OR OUR CUSTOMERS' PRODUCT CANDIDATES COULD NEGATIVELY IMPACT OUR REVENUE AND PROFITABILITY.

Our contract manufacturing business materially depends upon the regulatory approval of the products we manufacture. As such, any delay in, or failure to receive, approval for any of our customers' product candidates or the failure to maintain regulatory approval for our or our customers' products could negatively impact our revenue and profitability. If the FDA or a comparable foreign regulatory authority does not approve of our facilities for the manufacture of a customer product or if it withdraws such approval in the future, our customers may choose to identify alternative manufacturing facilities and/or relationships, which could significantly impact our ability to expand our CDMO capacity and capabilities and achieve profitability.

Our manufacturing services are highly complex, and if we are unable to provide quality and timely services to our customers, our business could suffer.

The manufacturing services we offer are highly complex, due in part to strict regulatory requirements. A failure of our quality control systems in our facilities could cause problems to arise in connection with facility operations for a variety of reasons, including equipment malfunction, viral contamination, failure to follow specific manufacturing instructions, protocols and standard operating procedures, problems with raw materials or environmental factors. Such problems could affect production of a single manufacturing run or a series of runs, requiring the destruction of products, or could halt manufacturing operations altogether. In addition, our failure to meet required quality standards may result in our failure to timely deliver products to our customers, which in turn could damage our reputation for quality and service. Any such incident could, among other things, lead to increased costs, lost revenue, reimbursement to customers for lost drug substance, damage to and possibly termination of existing customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other manufacturing runs. With respect to our commercial manufacturing, if problems are not discovered before the product is released to the market, we may be subject to regulatory actions, including product recalls, product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, civil sanctions, including monetary sanctions, and criminal actions. In addition, such issues could subject us to litigation, the cost of which could be significant.

Because a significant portion of our contract manufacturing revenue comes from a limited number of customers, any decrease in sales to these customers could harm our business, results of operations and financial condition.

Contract manufacturing revenue has historically been derived from a small customer base. For the fiscal year ended April 30, 2017, our top three customers accounted for approximately 98% of our revenues and for the fiscal years ended April 30, 2016 and 2015, approximately 95% and 91%, respectively, of contract manufacturing revenue was generated from two customers. In addition, typically we have not entered into long-term commitments with these third-party customers because their need for product supply depends on a variety of factors, including the product's stage of development, the timing of regulatory filings and approvals, the product needs of their collaborators, if applicable, their financial resources and the market demand with respect to commercial products. The loss or a significant reduction of business from any of our major customers could have a material adverse effect on our business, results of operations and financial condition.

Our CDMO operates in a highly competitive market and competition may adversely affect our business.

We operate in a market that is highly competitive. Our competition in the CDMO market includes full-service contract manufacturers and large pharmaceutical companies offering third-party manufacturing services to fill their excess capacity. Also, large pharmaceutical companies have been seeking to divest portions of their manufacturing capacity, and any such divested businesses may compete with us in the future. In addition, most of our competitors may have substantially greater financial, marketing, technical or other resources than we do. Moreover, additional competition may emerge and may, among other things, result in a decrease in the fees paid for our services, which may adversely affect our results of operations and financial condition.

We rely on third parties to supply most of the necessary raw materials and supplies for the products we manufacture on behalf of our customers and our inability to obtain such raw materials or supplies may adversely impact our business, results of operations and financial condition.

Our CDMO operations require various raw materials, including proprietary media, resins, buffers, filters, in addition to numerous additional raw materials supplied primarily by third parties. We or our customers specify the raw materials and other items required to manufacture their product and, in some cases, specify the suppliers from whom we must purchase these raw materials. In certain instances, the raw materials and other items can only be supplied by a limited number of suppliers or in limited quantities. If third-party suppliers do not supply raw materials or other items on a timely basis, it may cause a manufacturing run to be delayed or canceled which would adversely impact our results of operations and financial condition.

Furthermore, third-party suppliers may fail to provide us with raw materials and other items that meet the qualifications and specifications required by us or our customers. If third-party suppliers are not able to provide us with raw materials that meet our or our customers' specifications on a timely basis, we may be unable to manufacture their product or it could prevent us from delivering products to our customers within required timeframes. Any such delay in delivering our products may create liability for us to our customers for breach of contract or cause us to experience order cancellations and loss of customers. In the event that we manufacture products with inferior quality components and raw materials, we may become subject to product liability claims caused by defective raw materials or components from a third-party supplier or from a customer, or our customer may be required to recall its products from the market.

WE HAVE REFOCUSED OUR CLINICAL DEVELOPMENT STRATEGY IN ORDER TO DRIVE PARTNERING INTEREST, WHICH MAY NOT BE SUCCESSFUL.

In June 2016, we announced our clinical development strategy focused on conducting small, early stage studies of bavituximab in combination with immune stimulating therapies. These trials may be conducted independently, in conjunction with our collaborators, or through ISTs. The goal of these trials will be to generate compelling clinical and translational data demonstrating bavituximab's immunotherapeutic mechanism of action in a combination treatment setting. We plan to leverage this data to drive partnering interest in our phosphatidylserine (PS)-targeting platform. Our clinical development strategy is subject to a number of risks and uncertainties, including but not limited to, the risk that:

- we may not secure sufficient capital to conduct any sponsored trial that may be necessary to support a potential partnership;
- the early stage studies do not generate any compelling data;
- the data, while compelling, is viewed by potential partners as being based on an insufficient sample size; and
- the data, while compelling, is in tumor indications for which there is little or no partnering interest.

Even if we are successful in generating compelling data that generates partnering interest, we may face additional challenges in consummating a licensing transaction, or on terms acceptable to us, considering the additional later stage clinical trials that such partner would need to conduct, and the time, costs and regulatory risks associated therewith, relative to the remaining life of our patents that cover bavituximab compositions and their use in treating cancer, both alone and in combination therapies, which are currently set to expire between 2023 and 2025, before any potential extensions. If we are unable to efficiently and quickly generate the type and quantity of data needed to drive future partnering interest, we may not be successful in our clinical development strategy, nor obtain any monetary value from our PS-targeting platform, including bavituximab.

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

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

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

While our clinical development strategy is focused on conducting small, early stage studies of bavituximab in combination with immune stimulating therapies, we may none-the-less experience delays in patient enrollment in these clinical trials for a variety of reasons. The timely completion of any new potential clinical trials in accordance with their protocols depends on, among other things, our ability to enroll a sufficient number of patients who remain in the study until its conclusion. The enrollment of patients depends on many factors, including:

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

Our planned early stage clinical trials will compete with other clinical trials for product candidates that are in the same therapeutic areas as our product candidates, and this competition reduces the number and types of patients available to us, because some patients who might have opted to enroll in our trials opt to enroll in a trial being conducted by one of our competitors. In addition, some of these competing clinical trials will be for product candidates in later stage clinical trials with compelling data from earlier stage trials that could influence the patient's decision to opt to enroll in the competitive trial. Since the number of qualified clinical investigators is limited, we conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which reduces the number of patients who are available for our clinical trials in such clinical trial site. Delays in patient enrollment in our planned early stage clinical trials may affect the timing or outcome of our clinical trials, which could prevent us from completing these trials and generating the compelling data necessary to drive partnering interest.

Success in early clinical trials may not be indicative of results obtained in later trials, which could hinder future partner interest.

Our clinical development strategy is dependent on our ability to generate compelling data from small, early stage studies of bavituximab in combination with immune stimulating therapies. A number of new drugs and biologics have shown promising results in initial clinical trials, but subsequently failed to establish sufficient safety and effectiveness data to obtain necessary regulatory approvals, as we evidenced with our Phase III SUNRISE trial. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent us from generating partnering interest.

If we do not establish additional collaborations, or if the trials conducted by our collaborators do not proceed efficiently, our clinical development strategy may not be successful.

Our clinical development strategy is focused on conducting small, early stage studies of bavituximab in combination with immune stimulating therapies. We anticipate that a number of these trials will be conducted in conjunction with our collaborators, such as NCCN. In order to be successful, we may need to generate a significant amount of compelling data in a number of cancer indications and therefore, may need to enter into one or more of additional collaborations in the future. We face significant competition in seeking appropriate collaborators and these collaborations are complex and time-consuming to negotiate and document. We may not be able to negotiate collaborations on acceptable terms, or at all. Even if we successfully enter into a collaboration, our collaborator may not perform its contractual obligations or may terminate the agreement.

In addition, many of these early stage studies may be conducted by our existing or future collaborators as ISTs. While the use of ISTs will allow us to increase the number of early stage trials of bavituximab and conserve our financial and personnel resources, because we do not have control over the conduct of these trials, we do not have the ability to influence the speed at which these trials are conducted, including the rate at which patients are enrolled or data is analyzed.

Any one or a combination of these factors could adversely affect our ability to timely generate the compelling data that is necessary to attract potential partners to advance the bavituximab program.

If we use hazardous and biological materials in a manner that causes injury or violates applicable law, we may be liable for damages.

Our research and development activities and manufacturing operations involve the controlled use of hazardous materials and chemicals. We are subject to federal, state and local laws and regulations in the U.S. governing the use, manufacture, storage, handling and disposal of hazardous materials and chemicals. Although we believe that our procedures for using, handling, storing and disposing of these materials comply with legally prescribed standards, we may incur significant additional costs to comply with applicable laws in the future. Also, even if we are in compliance with applicable laws, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials or chemicals. As a result of any such contamination or injury, we may incur liability or local, city, state or federal authorities may curtail the use of these materials and interrupt our business operations. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research and development activities and manufacturing operations, which could materially harm our business, financial condition and results of operations.

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

We face an inherent business risk of exposure to product liability claims in the event that the administration of one of our product candidates during a clinical trial adversely affects or causes the death of a patient. Although we maintain product liability insurance for clinical studies in the amount of $10,000,000 per occurrence or $10,000,000 in the aggregate on a claims-made basis, as well as country-specific coverage where required for clinical sites located in foreign countries, our coverage may not be adequate. Product liability insurance is expensive, difficult to obtain and may not be available in the future on acceptable terms, if at all. Our inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims in excess of our insurance coverage, if any, or a product recall, could negatively impact our financial position and results of operations.

In addition, the contract manufacturing services that we offer through Avid expose us to an inherent risk of liability as the antibodies or other substances manufactured by Avid, at the request and to the specifications of our customers, could possibly cause adverse effects or have product defects. We obtain agreements from our customers indemnifying and defending us from any potential liability arising from such risk. However, these indemnification agreements may not adequately protect us against potential claims relating to such contract manufacturing services or protect us from being named in a possible lawsuit. Although Avid has procured insurance coverage, we may not be able to maintain our existing coverage or obtain additional coverage on commercially reasonable terms, or at all, or such insurance may not provide adequate coverage against all potential claims to which we might be exposed. A partially successful or completely uninsured claim against Avid could materially harm our business, financial condition and results of operations.

OUR RESEARCH AND DEVELOPMENT ACTIVITIES RELY ON TECHNOLOGY LICENSED FROM THIRD PARTIES, AND TERMINATION OF ANY OF THOSE LICENSES WOULD RESULT IN LOSS OF SIGNIFICANT RIGHTS TO DEVELOP AND MARKET OUR PRODUCTS, WHICH WOULD IMPAIR OUR BUSINESS, PROSPECTS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We have been granted rights to a variety of technologies necessary for our research and development activities from third parties through license agreements. Each license generally may be terminated by the licensor if we fail to perform our obligations under the agreement, including obligations to develop the product candidates or technologies under license. If terminated, we would lose the right to develop the product candidates, which could adversely affect our business, prospects, financial condition and results of operations. The license agreements also generally require us to meet specified milestones or show reasonable diligence in development of the technology. If disputes arise over the definition of these requirements or whether we have satisfied the requirements in a timely manner, or if any other obligations in the license agreements are disputed by the other party, the other party could terminate the agreement, and we could lose our rights to develop the licensed technology.

In addition, if new technology is developed from these licenses, we may be required to negotiate certain key financial and other terms, such as milestone and royalty payments, for the licensing of this future technology with the third party licensors, and it might not be possible to obtain any such license on terms that are satisfactory to us, or at all.

IF WE ARE UNABLE TO OBTAIN, PROTECT AND ENFORCE OUR PATENT RIGHTS, WE MAY BE UNABLE TO EFFECTIVELY PROTECT OR EXPLOIT OUR PROPRIETARY TECHNOLOGY, INVENTIONS AND IMPROVEMENTS.

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

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

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

If we are unable to adequately protect our intellectual property rights, our business may be adversely impacted.

The patent protection for our product candidates may expire before we are able to commercialize those product candidates, which may subject us to increased competition and reduce or eliminate our opportunity to generate product revenue.

The patents for our product candidates have varying expiration dates and, if these patents expire, we may be subject to increased competition and we may not be able to recover our development costs or market any of our approved products profitably. For example, one of our licensed U.S. patents claims compounds encompassing bavituximab and is due to expire in 2024, and two of our other licensed U.S. patents claim treatment methods encompassing bavituximab and are due to expire in 2025. In some of the larger potential market territories, such as the United States and Europe, patent term extension or restoration may be available to compensate for time taken during aspects of the product's development and regulatory review. However, such an extension may not be granted, or if granted, the applicable time period or the scope of patent protection afforded during any extension period may not be sufficient to maximize the commercial value of the patent(s). In addition, even though some regulatory authorities may provide some other exclusivity for a product under their own laws and regulations, we may not be able to qualify the product or obtain the exclusive time period. If we are unable to obtain patent term extension/restoration or some other exclusivity, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our U.S. and non-U.S. patents.

We may become involved in disputes or lawsuits pertaining to patent applications, or to protect or enforce our patents that would be expensive, time consuming and may lead to disclosure of our confidential information.

Disputes may arise in connection with the preparation, filing and examination of patent applications, including licensed patent applications, which may be difficult, time-consuming and expensive to resolve. In addition, we may become subject to interference, opposition or other post-grant review proceedings conducted in patent and trademark offices to determine the priority and/or patentability of inventions. In order to protect or enforce our patent rights, we may initiate patent litigation against third parties. The defense of intellectual property rights, including patent rights through lawsuits, interference, opposition or other post-grant review proceedings and other legal and administrative proceedings, would be costly and divert our technical and management personnel from their normal responsibilities. An adverse determination of any litigation or defense proceedings could put our pending patent applications at risk of not being issued.

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

Business disruptions could seriously harm our future revenues and financial condition and increase our costs and expenses.

Our operations could be subject to earthquakes, power shortages and surges, telecommunications failures, water shortages, floods, fires, extreme weather conditions, medical epidemics and other natural or manmade disasters or business interruptions, for which we have limited insurance or are predominantly self-insured. The occurrence of any of these business disruptions could seriously harm our manufacturing operations and financial condition and increase our costs and expenses. Our ability to obtain raw materials, components and supplies for the manufacture, as well as the services of outside testing laboratories, of our third party customers' products, for which we act as a contract manufacturer, could be disrupted, if the operations of these suppliers and/or labs is affected by a man-made or natural disaster or other business interruption. Our corporate headquarters and manufacturing facility is located in California near major earthquake faults. The ultimate impact on us, our significant suppliers and our general infrastructure of being located near major earthquake faults and being consolidated in certain geographical areas is unknown, but our operations and financial condition could suffer in the event of a major earthquake or other natural disaster.

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

The pharmaceutical and biotechnology industry is intensely competitive and any product candidate developed by us would compete with existing drugs and therapies. There are many pharmaceutical companies, biotechnology companies, public and private universities, government agencies and research organizations that compete with us in developing various approaches to cancer therapy.

In addition, we are aware of several pharmaceutical and biotechnology companies actively engaged in research and development of immunotherapy-based products that have commenced clinical trials with, or have successfully commercialized, these products. Some or all of these companies may have greater financial resources, larger technical staffs and larger research budgets than we have, as well as greater experience in developing products and running clinical trials. We expect to continue to experience significant and increasing levels of competition in the future. In addition, there may be other companies which are currently developing competitive technologies and products or which may in the future develop technologies and products that are comparable or superior to our technologies and products.

If we lose qualified management, including manufacturing or scientific personnel or are unable to attract and retain such personnel, we may be unable to successfully develop or manufacture our products or our customers' products.

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

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

We have federal and state net operating loss ("NOL") carry forwards which, if we were to become profitable, could be used to offset/defer federal and state income taxes. Our ability to use such carry forwards to offset future taxable income may be subject to certain limitations related to changes in ownership of our stock.

As of April 30, 2017, we had federal and state NOL carry forwards of approximately $392 million and $264 million, respectively, expiring from 2018 to 2037. These NOL carry forwards could potentially be used to offset certain future federal and state income tax liabilities. However, utilization of NOL carry forwards may be subject to a substantial annual limitation pursuant to Section 382 of the Internal Revenue Code of 1986, as amended, as well as similar state provisions due to ownership changes that have occurred previously or that could occur in the future. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain stockholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period. We performed a detailed analysis of our NOL carry forwards through April 30, 2017 and it was determined that no change in ownership had occurred. However, ownership changes occurring subsequent to April 30, 2017 may impact the utilization of our NOL carry forwards and other tax attributes. Any limitation may result in expiration of a portion of the carry forwards before utilization. If we were not able to utilize our carry forwards, we would be required to use our cash resources to pay taxes that would otherwise have been offset, thereby reducing our liquidity.

WE HAVE BECOME INCREASINGLY DEPENDENT ON INFORMATION TECHNOLOGY AND ANY BREAKDOWN, INTERRUPTION OR BREACH OF OUR INFORMATION TECHNOLOGY SYSTEMS COULD SUBJECT US TO LIABILITY OR INTERRUPT THE OPERATION OF OUR BUSINESS, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION, CASH FLOWS AND RESULTS OF OPERATIONS.

We are increasingly dependent upon sophisticated information technology systems and infrastructure in connection with the conduct of our business. We must constantly update our information technology infrastructure and our various current information technology systems throughout the organization may not continue to meet our current and future business needs. Furthermore, modification, upgrade or replacement of such systems may be costly. In addition, due to the size and complexity of these systems, any breakdown, interruption, corruption or unauthorized access to or cyber-attack on these systems could create system disruptions, shutdowns or unauthorized disclosure of confidential information. While we attempt to take appropriate security and cyber-security measures to protect our data and information technology systems and to prevent such breakdowns and unauthorized breaches and cyber-attacks, these measures may not be successful and these breakdowns and breaches in, or attacks on, our systems and data may not be prevented. Such breakdowns, breaches or attacks may cause business interruption and could have a material adverse effect on our business, financial condition, cash flows and results of operations and could cause the market value of our common shares to decline, and we may suffer financial damage or other loss, including fines or criminal penalties because of lost or misappropriated information.

OUR GOVERNANCE DOCUMENTS AND STATE LAW PROVIDE CERTAIN ANTI-TAKEOVER MEASURES WHICH WILL DISCOURAGE A THIRD PARTY FROM SEEKING TO ACQUIRE US UNLESS APPROVED BY THE BOARD OF DIRECTORS.

We have a rights plan that is designed to protect stockholders against unsolicited attempts to acquire control of us that do not offer a fair price to our stockholders as determined by our board of directors. Under the plan, the acquisition of 15% or more of our outstanding common stock by any person or group, unless approved by our board of directors, will trigger the right of our stockholders (other than the acquirer of 15% or more of our common stock) to acquire additional shares of our common stock, and, in certain cases, the stock of the potential acquirer, at a 50% discount to market price, thus significantly increasing the acquisition cost to a potential acquirer. In addition, our certificate of incorporation and by-laws contain certain additional anti-takeover protective devices. For example,

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

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

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

OUR BYLAWS, AS AMENDED, PROVIDE THAT THE COURT OF CHANCERY OF THE STATE OF DELAWARE WILL BE THE EXCLUSIVE FORUM FOR SUBSTANTIALLY ALL DISPUTES BETWEEN US AND OUR STOCKHOLDERS, WHICH COULD LIMIT OUR STOCKHOLDERS' ABILITY TO OBTAIN A FAVORABLE JUDICIAL FORUM FOR DISPUTES WITH US OR OUR DIRECTORS, OFFICERS OR EMPLOYEES .

Our bylaws, as amended, provide that, unless we consent in writing to an alternative forum, the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of a fiduciary duty owed by any of our directors, officers, or other employees to us, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws, any action to interpret, apply, enforce, or determine the validity of our certificate of incorporation or bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees.

RISKS RELATED TO THE OWNERSHIP OF OUR COMMON STOCK

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

As of April 30, 2017, there were 44,014,040 shares of our common stock issued and outstanding (as adjusted to reflect the 1-for-7 reverse stock split of our issued and outstanding common stock that took effect on July 10, 2017). Substantially all of these shares are eligible for trading in the public market, subject in some cases to volume and other limitations. The market price of our common stock may decline if our common stockholders sell a large number of shares of our common stock in the public market, or the market perceives that such sales may occur.

In addition, our common stock issued and outstanding as of April 30, 2017 excludes the following common shares reserved for future issuance (as adjusted to reflect the 1-for-7 reverse stock split of our issued and outstanding common stock that took effect on July 10, 2017):

- 5,630,872 common shares reserved for issuance under outstanding option grants and available for issuance under our stock incentive plans;
- 1,359,736 common shares reserved for and available for issuance under our 2010 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan");
- 39,040 common shares issuable upon exercise of outstanding warrants; and
- 6,826,435 common shares issuable upon conversion of our outstanding Series E Preferred Stock.

In addition, we expect we will continue to need to raise substantial additional capital to fund our operations until we can generate sufficient revenue from Avid's contract manufacturing services to achieve profitability. If we raise additional funds by issuing equity securities, the market price of our securities may decline and our existing stockholders may experience significant dilution.

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

The market price of our common stock and the market prices of securities of companies in the biotechnology sector have generally been highly volatile and are likely to continue to be highly volatile. For instance, the market price of our common stock has ranged from $1.97 to $14.00 per share over the last three fiscal years ended April 30, 2017 (as adjusted to reflect the 1-for-7 reverse stock split of our issued and outstanding common stock that took effect on July 10, 2017) .

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

- the success or failure of our internal drug development efforts;
- positive or negative data reported on programs in clinical trials we or our investigators are conducting;
- announcements of technological innovations or new commercial products by us or our competitors;
- Avid's loss of a significant customer;
- uncertainties about our ability to continue to fund our operations beyond the next twelve months;
- significant changes in our financial results or that of our competitors, including our ability to continue as a going concern;
- our ability to meet revenue projections;
- the offering and sale of shares of our common stock, either sold at market prices or at a discount under an equity transaction;
- significant changes in our capital structure;
- published reports by securities analysts;
- announcements of partnering transactions, licensing agreements, joint ventures, strategic alliances, and any other transaction that involves the development, sale or use of our technologies or competitive technologies;
- developments and/or disputes concerning our patent or other proprietary rights;
- regulatory developments, including possible delays, and product safety concerns;
- outcomes of significant litigation, disputes and other legal or regulatory proceedings;
- general stock trends in the biotechnology and pharmaceutical industry sectors;
- public concerns as to the safety and effectiveness of our products;
- economic trends and other external factors, including but not limited to, interest rate fluctuations, economic recession, inflation, foreign market trends, national crisis, and disasters; and
- healthcare reimbursement reform and cost-containment measures implemented by government agencies.

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

IF WE FAIL TO MEET CONTINUED LISTING STANDARDS OF NASDAQ, OUR COMMON STOCK MAY BE DELISTED, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON THE LIQUIDITY OF OUR COMMON STOCK.

Our common stock is currently traded on The NASDAQ Capital Market. As previously reported, on April 12, 2016 we received a letter from the staff of the Listing Qualifications Department (the "Staff") of The NASDAQ Stock Market LLC ("NASDAQ") notifying us that, for the previous 30 consecutive business days, the bid price for our common stock had closed below the minimum $1.00 per share requirement for continued listing on The NASDAQ Capital Market under NASDAQ's Listing Rule 5550(a)(2), which requires a minimum bid price of $1.00 per share (the "Minimum Bid Price Requirement"). In accordance with NASDAQ Listing Rule 5810(c)(3)(A), we were automatically afforded an initial "compliance period" of 180 calendar days following the date of the notification, or until October 10, 2016, to regain compliance with the Minimum Bid Price Requirement. We did not regain compliance with the Minimum Bid Price Requirement by October 10, 2016; however, because (i) we met the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The NASDAQ Capital Market with the exception of the Minimum Bid Price Requirement, as of the last day of the initial "compliance period", and (ii) provided written notice to NASDAQ of our intention to regain compliance by effecting a reverse stock split, if necessary, the Staff afforded us an additional "compliance period" of 180 calendar days, or until April 10, 2017, to regain compliance with the Minimum Bid Price Requirement.

Although our stockholders approved, at our Annual Meeting of Stockholders on October 13, 2016, an amendment to our certificate of incorporation, as amended, to effect a reverse split of our issued and outstanding common stock at a ratio of up to 1-for-7 as a means to regain compliance with the Minimum Bid Price Requirement, we determined that it was in the best interests of the Company and our stockholders not to effect the reverse split prior to April 10, 2017. On April 11, 2017, the Staff notified us that our common stock would be delisted unless we requested a hearing before the NASDAQ Hearings Panel (the "Panel"). On April 13, 2017, we requested a hearing before the Panel, which was held on May 25, 2017. On June 1, 2017, we received a decision letter from the NASDAQ Office of General Counsel stating that the Panel had granted us until no later than July 21, 2017 to regain compliance with the Minimum Bid Price Requirement. Following authorization from our board of directors, we filed a certificate of amendment to our certificate of incorporation with the Secretary of State of Delaware to effect a reverse split of our issued and outstanding common stock at a ratio of one-for-seven, which took effect with the opening of trading on July 10, 2017. As of the close of the market on July 13, 2017, the bid closing price of our common stock has exceeded the $1.00 minimum closing bid price requirement for four (4) consecutive business days, and it must continue to exceed $1.00 for an additional six (6) consecutive business days, or through July 21, 2017, in order for us to regain compliance with the Minimum Bid Price Requirement. If we are unable to regain compliance with the Minimum Bid Price Requirement by the close of the market on July 21, 2017, our common stock will be delisted from the NASDAQ Capital Market.

If our common stock is delisted, the liquidity of our common stock would be adversely affected and the market price of our common stock could decrease.

WE DO NOT INTEND TO PAY DIVIDENDS ON OUR COMMON STOCK SO ANY RETURNS WILL BE LIMITED TO THE VALUE OF OUR STOCK.

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings, if any, for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock.

If securities or industry analysts do not publish research reports about us, or if they issue adverse opinions about our business, our stock price and trading volume could decline.

The research and reports that industry or securities analysts publish about us or our business will influence the market for our common stock. If one or more analysts who cover us issues an adverse opinion about us, our stock price would likely decline. If one or more of these analysts ceases research coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Further, if we fail to meet the market expectations of analysts who follow our stock, our stock price likely would decline.

ADDITIONAL RISKS RELATED TO THE OWNERSHIP OF OUR SERIES E PREFERRED STOCK

We may not be able to pay dividends on the series e preferred stock.

We are incorporated in Delaware and governed by the Delaware General Corporation Law. Delaware law allows a corporation to pay dividends only out of surplus, as determined under Delaware law, or if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and for the preceding fiscal year. Under Delaware law, however, we cannot pay dividends out of net profits if, after we pay the dividend, our capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. In addition, payment of our dividends depends upon our financial condition and other factors as our board of directors may deem relevant from time to time. Our business may not generate sufficient cash flow from operations or future borrowings may not be available to us in an amount sufficient to enable us to make distributions on our Series E Preferred Stock.

The market price of the Series E Preferred Stock could be substantially affected by various factors.

The market price of the Series E Preferred Stock will depend on many factors, which may change from time to time, including:

- prevailing interest rates, increases in which may have an adverse effect on the market price of the Series E Preferred Stock;
- trading prices of common and preferred equity securities issued by other biopharmaceutical companies;
- the annual yield from distributions on the Series E Preferred Stock as compared to yields on other financial instruments;
- announcements of technological innovations or new commercial products by us or our competitors;
- publicity regarding actual or potential company-sponsored clinical trial and investigator-sponsored clinical trial results relating to products under development by us or our competitors;
- announcements of licensing agreements, joint ventures, strategic alliances, and any other transaction that involves the development, sale or use of our technologies;
- regulatory developments and product safety concerns;
- general economic and financial market conditions;
- government action or regulation;
- significant changes in the financial condition, performance and prospects of us and our competitors;
- changes in financial estimates or recommendations by securities analysts with respect to us, our competitors in our industry;
- our issuance of additional preferred equity or debt securities; and
- actual or anticipated variations in quarterly operating results of us and our competitors.

As a result of these and other factors, holders of our Series E Preferred Stock may experience a decrease, which could be substantial and rapid, in the market price of the Series E Preferred Stock, including decreases unrelated to our operating performance or prospects.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our corporate offices, research and development, and manufacturing facilities are all located in close proximity in Tustin, California, which are shared by our contract manufacturing business and our drug development business. We currently lease an aggregate of approximately 196,000 square feet of office, warehouse, research and manufacturing space in six buildings under five separate lease agreements, as summarized in the following table:

Lease #	Original Lease Execution Date	Approximate Square Footage Leased	# of Buildings Occupied	Initial Lease Term Expiration Date	# of Options to Extend Lease	Extended Lease Term Expiration Date [1]
1	December 1998	48,000	2	12/31/27	2	12/31/37
2	May 2010	13,000	1	12/31/17	1	12/31/22
3	July 2014	84,000	1	1/31/27	2	1/31/37
4	April 2016	26,000	1	8/31/23	2	8/31/35
5	April 2016	25,000	1	8/31/23	2	8/31/35

(1) Extended lease term expiration date assumes we execute all available option(s) to extend lease in accordance with the terms of the lease agreement.

We believe that the space we lease is adequate to meet our current needs and that, if necessary, additional space would be available to accommodate any future growth.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business, we are at times subject to various legal proceedings and disputes. We make provisions for liabilities when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such provisions are reviewed at least quarterly and adjusted to reflect the impact of any settlement negotiations, judicial and administrative rulings, advice of legal counsel, and other information and events pertaining to a particular case.

On October 10, 2013, a derivative and class action complaint, captioned *Michaeli v. Steven W. King, et al.* , C.A. No. 8994-VCL, was filed in the Court of Chancery of the State of Delaware (the "Court"), purportedly on behalf of the Company, which is named a nominal defendant, against certain of our executive officers and directors (collectively, the "Defendants"). On December 1, 2015, the plaintiffs filed an amended and supplemental derivative and class action complaint (the "Amended Complaint"). The Amended Complaint alleges that the Defendants breached their respective fiduciary duties in connection with certain purportedly improper compensation decisions made by our board of directors during the past four fiscal years ended April 30, 2015, including: (i) the grant of a stock option to Mr. King on May 4, 2012; (ii) the non-routine broad-based stock option grant to our directors, executives, all other employees and certain consultants on December 27, 2012; and (iii) the payment, during the past four fiscal years ended April 30, 2015, of compensation to our non-employee directors. In addition, the complaint alleges that our directors breached their fiduciary duty of candor by filing and seeking stockholder action on the basis of an allegedly materially false and misleading proxy statement for our 2013 annual meeting of stockholders. The plaintiffs are seeking, among other things, rescission of a portion of the stock option grant to Mr. King on May 4, 2012 and the stock options granted to the Defendants on December 27, 2012, as well as disgorgement of any excessive compensation paid to our non-employee directors during the four fiscal years ended April 30, 2015 and other monetary relief for our benefit. On May 15, 2017, the parties filed with the Court a Stipulation and Agreement of Compromise, Settlement and Release setting forth the terms of the proposed settlement of the claims in the Amended Complaint. A hearing on the proposed settlement will be held before the Court on July 27, 2017. We do not expect to incur a loss associated with this matter should the Court approve the terms of the proposed settlement.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on The NASDAQ Capital Market under the trading symbol "PPHM." The following table sets forth the high and low sales prices per share of our common stock for each quarter during the two years ended April 30, 2017, as adjusted to reflect the 1-for-7 reverse stock split of our issued and outstanding common stock, which took effect on July 10, 2017:

	Common Stock Sales Price	
	High	**Low**
Fiscal Year 2017		
Quarter Ended April 30, 2017	$5.42	$2.07
Quarter Ended January 31, 2017	$2.85	$1.97
Quarter Ended October 31, 2016	$3.64	$2.19
Quarter Ended July 31, 2016	$4.69	$2.05
Fiscal Year 2016		
Quarter Ended April 30, 2016	$7.84	$2.31
Quarter Ended January 31, 2016	$9.28	$6.02
Quarter Ended October 31, 2015	$9.03	$6.38
Quarter Ended July 31, 2015	$10.50	$8.47

Holders of Common Stock

As of June 30, 2017, we had 4,018 stockholders of record of our common stock.

Dividends

No dividends on our common stock have been declared or paid by us. We intend to employ all available funds for the development of our business and, accordingly, do not intend to pay any cash dividends in the foreseeable future. In addition, the Certificate of Designations governing the Series E Preferred Stock restricts us from declaring and paying any dividends on our common stock unless full cumulative dividends on the Series E Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods. Any future determinations related to dividend policy will be made at the discretion of our board of directors.

Securities Authorized for Issuance under Equity Compensation

The information included under Item 12 of Part III of this Annual Report is hereby incorporated by reference into this Item 5 of Part II of this Annual Report.

Recent Sales of Unregistered Securities

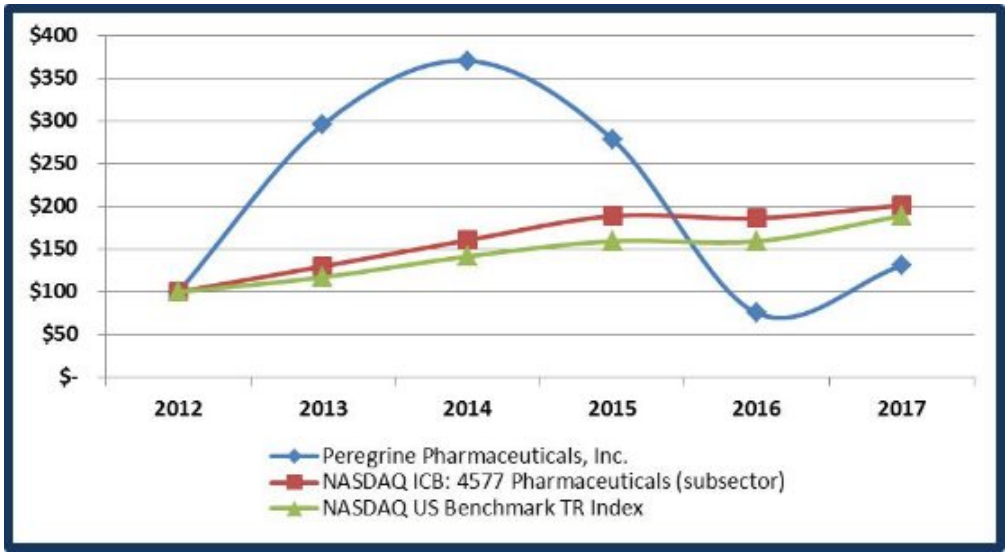
None.

Performance Graph

Notwithstanding any statement to the contrary in any of our previous or future filings with the SEC, the following information relating to the price performance of our common stock shall not be deemed to be "filed" with the SEC or to be "soliciting material" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and it shall not be deemed to be incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent we specifically incorporate it by reference into such filing.

The following chart shows the performance from April 30, 2012 through April 30, 2017 of Peregrine Pharmaceuticals, Inc. common stock, compared with an investment in the stocks represented in the NASDAQ ICB: 4577 Pharmaceuticals Index and the NASDAQ U.S. Benchmark TR Index assuming the investment of $100 at the beginning of the period and the reinvestment of dividends, if any. The total return data for the comparative indexes were prepared by NASDAQ OMX Global Indexes.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
VALUE OF INVESTMENT OF $100 ON APRIL 30, 2012



The underlying data for the foregoing graph is as follows:

	April 30, 2012	April 30, 2013	April 30, 2014	April 30 2015	April 30, 2016	April 30, 2017
Peregrine Pharmaceuticals, Inc.	$ 100.00	$ 295.74	$ 370.21	$ 278.72	$ 75.34	$ 130.98
NASDAQ ICB: 4577 Pharmaceuticals (subsector)	$ 100.00	$ 130.03	$ 160.55	$ 188.82	$ 186.26	$ 201.35
NASDAQ U.S. Benchmark TR Index	$ 100.00	$ 117.32	$ 141.62	$ 159.47	$ 159.32	$ 189.23

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below as of April 30, 2017 and 2016, and for the fiscal years ended April 30, 2017, 2016 and 2015, are derived from our audited consolidated financial statements included elsewhere in this Annual Report. This information should be read in conjunction with those consolidated financial statements, the notes thereto, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected consolidated financial data set forth below as of April 30, 2015, 2014 and 2013, and for the fiscal years ended April 30, 2014 and 2013, are derived from our audited consolidated financial statements that are contained in Annual Reports previously filed with the SEC, not included herein.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FISCAL YEAR ENDED APRIL 30,

	2017 [a]	2016 [b]	2015 [c]	2014 [d]	2013 [e]
Total revenues	$ 57,630,000	$ 44,686,000	$ 26,781,000	$ 22,401,000	$ 21,683,000
Net loss	$ (28,159,000)	$ (55,652,000)	$ (50,358,000)	$ (35,362,000)	$ (29,780,000)
Series E preferred stock accumulated dividends	$ (4,640,000)	$ (4,484,000)	$ (3,696,000)	$ (401,000)	$ –
Net loss attributable to common stockholders [f]	$ (32,799,000)	$ (60,136,000)	$ (54,054,000)	$ (35,763,000)	$ (29,780,000)
Basic and diluted loss per common share [g]	$ (0.88)	$ (1.95)	$ (2.07)	$ (1.55)	$ (1.73)
Weighted average common shares outstanding [g]	37,109,493	30,895,089	26,079,762	23,082,807	17,195,762

CONSOLIDATED BALANCE SHEET DATE
AS OF APRIL 30,

	2017	2016	2015	2014	2013
Cash and cash equivalents	$ 46,799,000	$ 61,412,000	$ 68,001,000	$ 77,490,000	$ 35,204,000
Working capital	$ 26,169,000	$ 24,234,000	$ 43,192,000	$ 63,564,000	$ 21,353,000
Total assets	$ 118,112,000	$ 109,043,000	$ 97,464,000	$ 90,545,000	$ 45,058,000
Long-term debt	$ –	$ –	$ –	$ –	$ 13,000
Accumulated deficit	$ (537,435,000)	$ (509,276,000)	$ (453,624,000)	$ (403,266,000)	$ (367,904,000)
Stockholders' equity	$ 53,582,000	$ 50,074,000	$ 59,035,000	$ 67,699,000	$ 23,760,000

(a) Total revenues in fiscal year 2017 include contract manufacturing revenue of $57,630,000 and license revenue of nil.

(b) Total revenues in fiscal year 2016 include contract manufacturing revenue of $44,357,000 and license revenue of $329,000.

(c) Total revenues in fiscal year 2015 include contract manufacturing revenue of $26,744,000 and license revenue of $37,000.

(d) Total revenues in fiscal year 2014 include contract manufacturing revenue of $22,294,000 and license revenue of $107,000.

(e) Total revenues in fiscal year 2013 include contract manufacturing revenue of $21,333,000 and license revenue of $350,000.

(f) Net loss attributable to common stockholders represents our net loss plus Series E preferred stock accumulated dividends.

(g) All share and per share amounts of our common stock for all periods presented have been retroactively adjusted to reflect the one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on July 10, 2017 (as described in Note 1 to the accompanying consolidated financial statements).

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

The following discussion is included to describe our financial position and results of operations for each of the three years in the period ended April 30, 2017. The audited consolidated financial statements and notes thereto contain detailed information that should be referred to in conjunction with this discussion.

Overview

We are a biopharmaceutical company committed to improving the lives of patients by manufacturing high quality pharmaceutical products through our contract manufacturing business, Avid Bioservices, Inc. ("Avid"), and by advancing and licensing our novel, development-stage immunotherapy product through our research and development business, Peregrine Pharmaceuticals, Inc. ("Peregrine") .

Peregrine is focused primarily on the research and development of immune stimulating therapies for the treatment of various cancers. Avid, a wholly-owned subsidiary of Peregrine, is our contract development and manufacturing organization ("CDMO") business.

In June 2016, following the discontinuation of our bavituximab Phase III SUNRISE trial, we announced a shift in our corporate focus toward achieving profitability within two (2) years (during the quarter ending July 31, 2018). This was to be achieved by focusing on revenue growth from our contract manufacturing business, Avid, while also reducing our spending on research and development while continuing to evaluate data from the Phase III SUNRISE trial. We believe we made significant progress towards this goal during the fiscal year ended April 30, 2017 by reducing research and development expenses by fifty-two percent (52%) while simultaneously growing Avid revenues by thirty percent (30%), as compared to the prior fiscal year. The result was a reduction of our net loss by 49% to $28,159,000 for the fiscal year ended April 30, 2017.

While reducing research and development expenses over the past fiscal year, we have also been able to allow the clinical data from the Phase III SUNRISE trial to mature, enabling us to conduct and present data analysis at key scientific meetings that support the clinical development of bavituximab with immune checkpoint inhibitors such as anti-PD-1/PD-L1 therapies. While we currently expect to reduce research and development spending by at least 40% in fiscal year 2018 compared to fiscal year 2017, this reduction in spending will not allow us to advance the bavituximab clinical program through a company sponsored trial. Instead, we are collaborating with leading immunotherapy experts and institutions to continue to drive forward our research and further guide our clinical development program.

With respect to our CDMO business, fiscal year 2017 was a record year for revenues, topping $57 million and representing 30% revenue growth over the prior fiscal year. While we are pleased at the continued year over year revenue growth, we have also recently seen unanticipated decreases in manufacturing demand from our largest customer and a recent regulatory filing delay from our second largest customer which will have some impact on our ability to grow the revenues from our CDMO business in fiscal year 2018 and could impact our ability to achieve overall profitability by the quarter ending July 31, 2018. However, we believe this to be temporary delay in revenue growth during fiscal year 2018 and have recently secured four new customers and are continuing to focus on securing additional customer business in order to better diversify our customer base. Our goal is to maintain profitability for Avid over the short term while positioning the business for long-term growth and attracting the resources necessary to continue to advance our promising research and development efforts.

Importantly, we continually evaluate various strategic options that we believe may enable us to enhance stockholder value, including the possible separation of these two distinct businesses.

Avid—Our CDMO Business

Avid provides fully-integrated cGMP services from cell line development to commercial biomanufacturing of large molecules, such as monoclonal antibodies and recombinant proteins for third-party customers while also supporting Peregrine's internal drug development business. We believe this integration offers considerable time and cost efficiencies for our internal drug development business.

We have been developing and manufacturing biologics since 1993 in our Franklin biomanufacturing facility (the "Franklin Facility") located at our current headquarters in Tustin, California and formed Avid in 2002 to offer these services to third-party customers using. In March 2016, we expanded our manufacturing capacity through the launch of our Myford biomanufacturing facility (the "Myford Facility"), which doubled our manufacturing capacity. The 42,000 square foot facility, which is our second biomanufacturing facility, can accommodate single-use bioreactors up to the 2,000-liter manufacturing scale. The Myford Facility was designed to accommodate a fully disposable biomanufacturing process for products in late stage clinical development to commercial. To date, Myford Facility has been utilized to complete a number of process validation runs for our third-party customers, which may lead to future commercial production, and has supported the process validation of our internal product, bavituximab. The Myford Facility is located adjacent to our Franklin Facility.

As we look to expand our CDMO business, in February 2017, we leased an additional 42,000 square feet of vacant warehouse space within the same building as our existing Myford Facility. The proximity of this space will allow us to utilize existing manufacturing infrastructure that we believe should enhance our manufacturing efficiencies and reduce the overall cost and timeframe to construct a third biomanufacturing facility. Although we previously anticipated that the new manufacturing facility would be constructed and ready for manufacturing activities by mid-calendar year 2018, due to unanticipated changes in and/or timing of customer demand (as discussed above), we have decided to defer construction of this third facility until demand from existing or potential new customers is expected to exceed the current capacity at our Franklin Facility and Myford Facility. Additionally, commencement of construction is also subject to our ability to raise sufficient additional capital to support this expansion effort. As a result, we presently do not expect to commence construction of this third facility prior to April 30, 2018.

Peregrine—Our Research and Development Business

Peregrine is developing therapeutics designed to fight cancer by reversing the immunosuppressive environment that tumors establish in order to proliferate. By doing so, these therapeutics allow the immune system to recognize and destroy tumor cells. Bavituximab is our lead immunotherapy candidate and currently we are collaborating with the National Comprehensive Cancer Network® ("NCCN") and Memorial Sloan Kettering Cancer Center ("MSKCC"), to evaluate the potential of bavituximab in combination with immune stimulating therapies.

Clinical Development Strategy

In June 2016, we announced a clinical development strategy focused on conducting small, early stage studies of bavituximab in combination with immune stimulating therapies. These trials may be conducted independently, in conjunction with our collaborators, or through investigator sponsored trials ("ISTs"). The goal of these trials is to generate compelling clinical and translational data demonstrating bavituximab's immunotherapeutic mechanism of action in a combination treatment setting. Additionally, we are in the process of completing an extensive review and analysis of the available data from the discontinued Phase III SUNRISE trial discussed below and testing the numerous collected samples for potential biomarkers in order to determine if certain subgroups may have benefited more from the bavituximab treatment. We believe such information will assist us in guiding the bavituximab clinical program. In keeping with this strategy, we are evaluating options to advance clinical development bavituximab in an efficient and cost-effective way.

We believe this strategy will allow us to (i) continue our research and development activities while avoiding costly, later stage clinical trials, thereby allowing us to achieve profitability sooner, and (ii) generate additional data that we believe, if positive, could create future potential value, including attracting potential licensing partners or re-engaging our collaboration with AstraZeneca.

NCCN Collaboration

In January 2016, we announced that we entered into a research collaboration with NCCN, a not-for-profit alliance of 27 of the world's leading cancer centers, to expand the clinical research and development of bavituximab for the treatment of a range of tumors. Under this research collaboration, we are funding three ISTs and related correlative studies with bavituximab at NCCN member institutions and their affiliate community hospitals through a $2 million research grant to NCCN's Oncology Research Program. NCCN is responsible for oversight and monitoring of the three clinical studies awarded under the research grant. In September 2016, NCCN announced that investigators at the following NCCN-affiliated institutions received the grant award:

1. Moffitt Cancer Center—A Phase I Trial of Sorafenib and Bavituximab Plus Stereotactic Body Radiation Therapy for Unresectable Hepatitis C Associated Hepatocellular Carcinoma. This trial is open for enrollment.
2. Massachusetts General Hospital Cancer Center—Phase I/II Clinical Trial of Bavituximab with Radiation and Temozolomide for Patients with Newly Diagnosed Glioblastoma. This trial is open for enrollment.
3. The Sidney Kimmel Comprehensive Cancer Center at Johns Hopkins—Phase II Study of Pembrolizumab and Bavituximab for Progressive Recurrent/Metastatic Squamous Cell Carcinoma of the Head and Neck. We expect this trial to be initiated by the end of the calendar year 2017.

MSKCC Collaboration

In May 2015, we entered into a sponsored research agreement with investigators at MSKCC to identify effective treatment combinations based on our phosphatidylserine ("PS")-targeting agents, including bavituximab, with other checkpoint inhibitors or immune stimulating agents that will further guide our clinical development program.

To date, preclinical data generated from the investigators at MSKCC have further supported our belief that bavituximab modulates the immunosuppressive tumor microenvironment and enhances the activity of other immunotherapy agents. MSKCC continues to evaluate bavituximab with other immunotherapy agents, which will further guide our clinical development program.

Phase III SUNRISE Trial

In December 2013, we initiated a randomized, double-blind, placebo-controlled Phase III trial evaluating bavituximab plus docetaxel, versus docetaxel plus placebo, for the treatment of previously-treated NSCLC (the "Phase III SUNRISE trial").

In February 2016, we announced that we were discontinuing the Phase III SUNRISE trial based on the recommendation of the study's Independent Data Monitoring Committee following a pre-specified interim analysis performed after 33% of targeted overall events (patient deaths). Results of the analysis demonstrated that the patients treated in the bavituximab plus docetaxel treatment arm did not show a sufficient improvement in overall survival as compared to the patients treated in the docetaxel plus placebo treatment arm to warrant continuation of the study. Patient enrollment was discontinued and existing patients in the trial were given the choice to continue chemotherapy and/or bavituximab, as appropriate. Patient treatment and follow-up data from the trial were collected through March 2017 and the trial is now closed.

Following the discontinuation of the Phase II SUNRISE trial, we promptly initiated and are nearing completion of an extensive review and analysis of the available data and testing the numerous collected samples for potential biomarkers in order to understand what subgroups may have benefited more from the bavituximab treatment. We believe such information will be important in supporting and refining our clinical strategy, as discussed above.

The most compelling data to date was presented in April 2017 at the Annual Meeting of the AACR. In a subgroup analysis, we looked at the outcome of 91 patients that were enrolled in the Phase III SUNRISE trial that were subsequently treated with immune checkpoint inhibitors ("ICI's") post study treatments. The results from this analysis demonstrated that the patients who received docetaxel plus bavituximab and subsequent ICI's (anti-PD-1/PD-L1) had not yet reached median overall survival ("mOS") compared to mOS of 13.0 months for patients who received docetaxel plus placebo (hazard ratio [HR], 0.43; p=0.005). The statistically significant difference between the two arms in the trial provides strong rationale for combining bavituximab with ICI's and supports the hypothesis that bavituximab may modulate the tumor microenvironment to enhance the anti-tumor activity of ICI's .

In June 2017, we announced additional supportive data at the Annual Meeting of the American Society of Clinical Oncology ("ASCO") demonstrating that patients in the bavituximab containing arm who had low baseline PD-L1 expression on tumor cells (i.e., patients typically with poorer response to PD-1/PD-L1 checkpoint inhibitors) lived significantly longer than patients with high baseline PD-L1 expression. These data further support the hypothesis that bavituximab may modulate the tumor microenvironment to complement and enhance the anti-tumor activity of ICI's.

Results of Operations

The following table compares the consolidated statements of operations and comprehensive loss for the fiscal years ended April 30, 2017, 2016 and 2015. This table provides you with an overview of the changes in the statements of operations and comprehensive loss for the comparative periods, which are further discussed below.

	Years Ended April 30,			Years Ended April 30,		
	2017	**2016**	**$ Change**	**2016**	**2015**	**$ Change**
REVENUES:						
Contract manufacturing	$ 57,630,000	$ 44,357,000	$ 13,273,000	$ 44,357,000	$ 26,744,000	$ 17,613,000
License revenue	–	329,000	(329,000)	329,000	37,000	292,000
Total revenues	57,630,000	44,686,000	12,944,000	44,686,000	26,781,000	17,905,000
COST AND EXPENSES:						
Cost of contract manufacturing	38,259,000	22,966,000	15,293,000	22,966,000	15,593,000	7,373,000
Research and development	28,297,000	59,529,000	(31,232,000)	59,529,000	42,996,000	16,533,000
Selling, general and administrative	19,334,000	18,551,000	783,000	18,551,000	18,691,000	(140,000)
Total cost and expenses	85,890,000	101,046,000	(15,156,000)	101,046,000	77,280,000	23,766,000
LOSS FROM OPERATIONS	(28,260,000)	(56,360,000)	28,100,000	(56,360,000)	(50,499,000)	(5,861,000)
OTHER INCOME (EXPENSE):						
Interest and other income	108,000	722,000	(614,000)	722,000	142,000	580,000
Interest and other expense	(7,000)	(14,000)	7,000	(14,000)	(1,000)	(13,000)
NET LOSS	$ (28,159,000)	$ (55,652,000)	$ 27,493,000	$ (55,652,000)	$ (50,358,000)	$ (5,294,000)
COMPREHENSIVE LOSS	$ (28,159,000)	$ (55,652,000)	$ 27,493,000	$ (55,652,000)	$ (50,358,000)	$ (5,294,000)

Contract Manufacturing Revenue

Fiscal Year 2017 Compared to Fiscal Year 2016:

The increase in contract manufacturing revenue of $13,273,000 (30%) during fiscal year 2017 was primarily due to manufacturing services provided to support the process validation of three separate customer products in the amount of $15,444,000, all of which were manufactured in our Myford Facility. No process validation services were provided in the prior year for third-party customers.

Excluding any future potential new business, we expect contract manufacturing revenue for fiscal year 2018 to slightly decline in comparison to fiscal year 2017. Part of this decline is due to lower anticipated commitments from Halozyme, Inc. (our largest customer) based on their most recent committed forecast (covering the three quarters ending March 2018), which amount is expected to be partially offset by revenue in the amount of $10 million that was expected to be recognized in fiscal year 2017, but has been shifted to fiscal year 2018 due to a delay in shipping product that was complete and ready for shipment as of the fiscal year ended April 30, 2017.

As we continue to seek to diversify our customer base, over the recent months, we have secured four new customers. These new customers are predominately in an earlier stage of development and, therefore, we expect that contract manufacturing revenue from these new customers during fiscal year 2018 will only partially offset the net anticipated decrease from our other existing customers.

Therefore, based on our current commitments for manufacturing services and the anticipated completion of in-process third-party customer manufacturing runs, we expect contract manufacturing revenue for fiscal year 2018 to range from $50 to $55 million.

Fiscal Year 2016 Compared to Fiscal Year 2015:

The increase in contract manufacturing revenue of $17,613,000 (66%) during fiscal year 2016 was primarily due to an increase in the number of manufacturing runs completed and shipped in fiscal year 2016 compared to fiscal year 2015, which was attributed to the increase in demand for contract manufacturing services from third-party customers.

License Revenue

Fiscal Years 2017 and 2016 Compared to Fiscal Years 2016 and 2015:

The changes in license revenue in fiscal years 2017 and 2016 compared to fiscal years 2016 and 2015, respectively, were directly related to revenue recognized in accordance with the terms of our existing license agreements. Based on our existing license agreements, we expect license revenue to be insignificant in fiscal year 2018.

Cost of Contract Manufacturing

Fiscal Year 2017 Compared to Fiscal Year 2016:

The increase in cost of contract manufacturing of $15,293,000 (67%) during fiscal year 2017 was primarily related to the fiscal year 2017 increase in contract manufacturing revenue. In addition, we saw a decline in our gross margin in fiscal year 2017, which was primarily attributed to higher operating costs associated with our Myford Facility to support the process validation of three separate customer products combined with the write-off of unusable work-in process inventory of $2,063,000.

Fiscal Year 2016 Compared to Fiscal Year 2015:

The increase in cost of contract manufacturing of $7,373,000 (47%) during fiscal year 2016 was directly related to the fiscal year 2016 increase in contract manufacturing revenue. In addition, we saw an improvement in our gross margin in fiscal year 2016, which was primarily attributed to greater utilization of our Franklin Facility, combined with a decrease in expenses associated with the write-off of unusable work-in process inventory.

Research and Development Expenses

Research and development expenses primarily include (i) payroll and related costs and share-based compensation expense (non-cash), associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing, (iii) costs to develop and manufacture our product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development efforts and have no alternative future uses.

For the years ended April 30, 2017, 2016 and 2015, approximately 91%, 100% and 98%, respectively, of our total research and development expenses related to our PS-targeting platform, which includes our lead immunotherapy candidate, bavituximab.

Fiscal Year 2017 Compared to Fiscal Year 2016:

In June 2016, we announced our clinical development strategy that will focus on conducting small, early stage studies of bavituximab in combination with immune stimulating therapies while we continued to wind down activities and related costs associated with the Phase III SUNRISE trial. As we executed on this clinical development strategy, research and development expenses decreased $31,232,000 (52%) during fiscal year 2017. The current fiscal year decrease in research and development expenses was primarily related to the following decreases associated with our PS-targeting platform:

- Decrease in third-party clinical trial costs of $15,290,000 primarily related to our discontinued Phase III SUNRISE trial (as discussed above) and previously planned Phase II trials in breast and lung cancers;
- Decrease in manufacturing costs of $11,749,000 primarily related to internal and external costs and expenses incurred in the prior year associated with preparing bavituximab for commercial production;
- Decrease in payroll and related expenses of $3,288,000 related to a reduction of research and development personnel combined with the reassignment of certain personnel to our contract manufacturing operations; and
- Decreases in facility-related expenses and share-based compensation expense (non-cash) of $672,000 and $501,000, respectively.

As we continue to execute our clinical development strategy, we currently expect research and development expenses for fiscal year 2018 to decrease at least 40% or more in comparison to fiscal year 2017.

Fiscal Year 2016 Compared to Fiscal Year 2015:

The increase in research and development expenses of $16,533,000 (38%) during fiscal year 2016 was directly related to the fiscal year 2016 increase in PS-targeting expenses of $16,970,000, offset by the fiscal year 2016 decrease in expenses related to our other technologies of $437,000. The fiscal year 2016 net increase in PS-targeting expenses was primarily attributed to:

- Increase in manufacturing costs of $10,053,000 primarily related to the internal and external costs and expenses associated with preparing bavituximab for commercial production;
- Increase in third-party clinical trial costs of $6,014,000 primarily related to our discontinued Phase III SUNRISE trial (as discussed above) and previously planned Phase II trials in breast and lung cancers, which were also discontinued during fiscal year 2016;
- Increase in payroll and related expenses of $1,314,000 primarily related to increased employee headcount to support the aforementioned discontinued Phase III SUNRISE trial and previously planned Phase II trials in breast and lung cancers; and
- Decrease in share-based compensation expense (non-cash) of $769,000.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses consist primarily of payroll and related expenses and share-based compensation expense (non-cash), for personnel in executive, finance, accounting, business development, legal, human resources, information technology, and other internal support functions. In addition, SG&A expenses include corporate and patent legal fees, audit and accounting fees, investor relation expenses, non-employee director fees, facility related expenses, and other expenses relating to our general management, administration, and business development activities.

Fiscal Year 2017 Compared to Fiscal Year 2016:

The increase in SG&A expenses of $783,000 (4%) during fiscal year 2017 compared to fiscal year 2016 was primarily due to current year increases in payroll and related expenses, facility related expenses and other general corporate expenses, offset by a current year decrease in share-based compensation expense (non-cash).

As discussed above, we are exploring various strategic options that we believe may enable us to enhance stockholder value, including the possible separation of our two distinct businesses. As a result, we currently expect SG&A expenses could increase up to 10% in fiscal year 2018 in comparison to fiscal year 2017.

Fiscal Year 2016 Compared to Fiscal Year 2015:

SG&A expenses for fiscal year 2016 remained consistent with fiscal year 2015, but decreased slightly by $140,000 (1%). The fiscal year 2016 decrease in SG&A expenses was primarily due to fiscal year 2016 decreases in share-based compensation expense (non-cash) and other general corporate expenses, offset by a fiscal year 2016 increase in payroll and related expenses.

Interest and Other Income

Fiscal Years 2017 and 2016 Compared to Fiscal Years 2016 and 2015:

The changes in interest and other income in fiscal years 2017 and 2016 compared to fiscal years 2016 and 2015, respectively, were directly related to the receipt in fiscal year 2016 of a $600,000 settlement payment from a former third-party vendor in accordance with the terms of the confidential settlement and release agreement we entered into during the quarter ended October 31, 2015.

Critical Accounting Policies

Our discussion and analysis of our consolidated financial position and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We review our estimates and assumptions on an ongoing basis. We base our estimates on historical experience and on assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what we anticipate, and different assumptions or estimates about the future could change our reported results. We believe the following accounting policies to be critical to the assumptions and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

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

Revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer or licensing partner. When deliverables are separable, consideration received is allocated among the separate units based on their respective fair values, and the applicable revenue recognition criteria are applied to each of the separate units, which may require the use of significant judgement. Deliverables are considered separate units of accounting if (1) the delivered item(s) has value to the customer on a stand-alone basis and (2) the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in our control.

Arrangement consideration is allocated at the inception of the agreement to all identified units of accounting based on their relative selling price. The relative selling price for each deliverable is determined using vendor specific objective evidence ("VSOE") of selling price or third-party evidence of selling price if VSOE does not exist. If neither VSOE nor third-party evidence of selling price exists, we use our best estimate of the selling price for the deliverable. The amount of allocable arrangement consideration is limited to amounts that are fixed or determinable. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units. Changes in the allocation of the sales price between delivered and undelivered elements can impact revenue recognition but do not change the total revenue recognized under any agreement.

On occasion, we receive requests from customers to hold product manufactured by Avid on a "bill-and-hold" basis. Revenue is recognized for these "bill-and-hold" arrangements in accordance with the authoritative guidance, which requires, among other things, the existence of a valid business purpose for the arrangement; the "bill-and-hold" arrangement is at the request of the customer; title and risk of ownership must pass to the customer; the product is complete and ready for shipment; a fixed delivery date that is reasonable and consistent with the customer's business practices; the product has been separated from our inventory; and no further performance obligations by us exist.

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

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

Research and Development Expenses

Research and development expenses primarily include (i) payroll and related costs, including share-based compensation associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing of our technologies under development, (iii) costs to develop and manufacture the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development efforts and have no alternative future uses.

Clinical trial costs are a significant component of our research and development expenses. We have a history of contracting with third parties that perform various clinical trial activities on our behalf in the ongoing development of our product candidates. The financial terms of these contracts are subject to negotiations and may vary from contract to contract and may result in uneven payment flow. Expenses related to clinical trials are accrued based on our estimates and/or representations from third parties (including clinical research organizations) regarding services performed. If the contracted amounts are modified (for instance, as a result of changes in the clinical trial protocol or scope of work to be performed), we modify our accruals accordingly on a prospective basis. Revisions in the scope of a contract are charged to expense in the period in which the facts that give rise to the revision become reasonably certain. There were no material adjustments for a change in estimate to research and development expenses in the accompanying consolidated financial statements in any of the three years ended April 30, 2017.

Under certain research and development agreements, we are obligated to make certain advance payments, including nonrefundable amounts, for goods or services that will be used or rendered for future research and development activities and are deferred and capitalized as prepaid research and development expenses. These advance payments are recognized as an expense in the period the related goods are delivered or the related services are performed. We assess our prepaid research and development expenses for impairment when events or changes in circumstances indicate that the carrying amount of the prepaid expense may not be recoverable or provide future economic benefit.

In addition, under certain in-licensing agreements associated with the research and development of our product candidates, we are obligated to pay certain milestone payments based on potential clinical development and regulatory milestones (as described in Note 4 to the accompanying consolidated financial statements). These milestone payments have no alternative future uses (in other research and development projects or otherwise) and therefore have no separate economic values and are expensed as research and development costs at the time the costs are incurred. We have no in-licensed product candidates that have alternative future uses in research and development projects or otherwise. In addition, we do not perform any research and development activities for any unrelated entities.

Share-based Compensation

We account for stock options and other share-based awards granted under our equity compensation plans in accordance with the authoritative guidance for share-based compensation. The estimated fair value of share-based payments to employees in exchange for services is measured at the grant date, using a fair value based method, such as a Black-Scholes option valuation model, and is recognized as expense on a straight-line basis over the requisite service periods. The fair value of modifications to share-based awards, if any, is generally estimated using a Black-Scholes option valuation model, unless a lattice model is required. Share-based compensation expense recognized during the period is based on the value of the portion of the share-based payment that is ultimately expected to vest during the period and is reduced for estimated forfeitures. The authoritative guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. As of April 30, 2017, there were no outstanding share-based awards with market or performance conditions.

The estimated fair value of stock options are measured at the grant date, using a fair value based method, such as a Black-Scholes option valuation model, and is amortized as compensation expense on a straight-line basis over the requisite service period of the award, which is generally the vesting period. The use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs. The expected volatility is based on the daily historical volatility of our common stock covering the estimated expected term. The expected term of options granted reflects actual historical exercise activity and assumptions regarding future exercise activity of unexercised, outstanding options. The risk-free interest rate is based on U.S. Treasury notes with terms within the contractual life of the option at the time of grant. The expected dividend yield assumption is based on our expectation of future dividend payouts. We have never declared or paid any cash dividends on our common stock and currently do not anticipate paying such cash dividends. In addition, guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

If factors change and we employ different assumptions in the determination of fair value in future periods, the share-based compensation expense that we record may differ significantly from what we have recorded in the current period. There are a number of factors that affect the amount of share-based compensation expense, including the number of employee options granted during subsequent fiscal years, the price of our common stock on the date of grant, the volatility of our stock price, the estimate of the expected life of options granted and the risk-free interest rates.

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

Liquidity and Capital Resources

At April 30, 2017, we had $46,799,000 in cash and cash equivalents. We have expended substantial funds on the research and development of our product candidates, and funding the operations of Avid. As a result, we have historically experienced losses and negative cash flows from operations since our inception and we expect negative cash flows from operations to continue for the foreseeable future until we can generate sufficient revenue from Avid's contract manufacturing services to achieve profitability. Therefore, unless and until we are able to generate sufficient revenue from Avid's contract manufacturing services or from the sale or licensing of our product candidates under development, we expect such losses to continue through at least the fiscal year ending April 30, 2018, and as a result, we will require additional capital to fund our operations and to execute our business plans.

Our ability to continue to fund our operations is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, (i) raising additional capital in the equity markets, (ii) generating additional contract manufacturing revenue from Avid, or (iii) licensing or partnering our product in development.

Historically, we have funded a significant portion of our operations through the issuance of equity. During fiscal year 2017, we raised $31,277,000 in aggregate gross proceeds from the sale of shares of our common stock and raised an additional $1,634,000 in aggregate gross proceeds from the sale of shares of our 10.50% Series E Convertible Preferred Stock (the "Series E Preferred Stock") (as described in Note 5 to the accompanying consolidated financial statements). Subsequent to April 30, 2017 and through June 30, 2017, we raised an additional $4,304,000 in aggregate gross proceeds from the sale of shares of our common stock (as described in Note 12 to the accompanying consolidated financial statements). As of July 14, 2017, $67,674,000 remained available to us under our effective shelf registration statement, which allows us from time to time to offer and sell shares of our common stock, in one or more offerings, either individually or in combination.

Our ability to raise additional capital in the equity markets to fund our obligations in future periods is dependent on a number of factors, including, but not limited to, the market demand for our common stock. The market demand or liquidity of our common stock is subject to a number of risks and uncertainties, including but not limited to, negative economic conditions, adverse market conditions, adverse financial results, and negative research and development results. In addition, on July 7, 2017, we effected a reverse stock split of our issued and outstanding common stock at a ratio of one-for-seven, which took effect with the opening of trading on July 10, 2017 (as described in Note 1 to the accompanying consolidated financial statements). While the reverse stock split resulted in an increase in the market price of our common stock, it also reduced the number of shares outstanding which could adversely affect the liquidity of our common stock. Because we have predominately raised capital through sales arrangements that are dependent on the trading volume of our common stock, any adverse effect on liquidity could negatively impact our ability to raise additional capital in the equity markets. In such a case, we may not be able to rely on the sale of shares of our common stock to fund our operations to the extent we have in prior years.

With respect to our ability to generate additional contract manufacturing revenue, Avid currently has a revenue backlog of $58 million under signed contracts from existing customers, which is consistent with the revenue backlog we reported as of April 30, 2016. As such, we may not be able to rely on generating additional contract manufacturing revenue from Avid in fiscal year 2018 to make up any capital raising shortfall experienced through the equity markets.

If we are unable to either (i) raise sufficient capital in the equity markets, (ii) generate additional contract manufacturing revenue from Avid, or (iii) license or partner our product in development, or any combination thereof, we may need to delay, scale back, or eliminate some or all our research and development efforts, or restructure our operations. In addition, even if we are able to raise additional capital, it may not be at a price or on terms that are favorable to us.

As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern within one year after the date that our financial statements are issued. Our independent registered public accounting firm included an explanatory paragraph highlighting this uncertainty in its "Report of Independent Registered Public Accounting Firm" dated July 14, 2017, which report is included in Item 15 of Part IV of this Annual Report.

Significant components of the changes in cash flows from operating, investing and financing activities for the fiscal years ended April 30, 2017, 2016 and 2015 are as follows:

Cash Used In Operating Activities . Net cash used in operating activities represents our (i) net loss, as reported, (ii) less non-cash operating expenses, and (iii) net changes in the timing of cash flows as reflected by the changes in operating assets and liabilities, as described in the below table:

	Fiscal Year Ended April 30,		
	2017	**2016**	**2015**
Net loss, as reported	$ (28,159,000)	$ (55,652,000)	$ (50,358,000)
Less non-cash operating expenses:			
Share-based compensation	3,363,000	4,898,000	6,702,000
Depreciation and amortization	2,463,000	1,535,000	1,041,000
Loss on disposal of property and equipment	1,000	14,000	2,000
Net cash used in operating activities before changes in operating assets and liabilities	$ (22,332,000)	$ (49,205,000)	$ (42,613,000)
Net change in operating assets and liabilities	$ (17,454,000)	$ 9,614,000	$ 6,594,000
Net cash used in operating activities	$ (39,786,000)	$ (39,591,000)	$ (36,019,000)

Net cash used in operating activities increased $195,000 to $39,786,000 for fiscal year 2017 compared to net cash used in operating activities of $39,591,000 for fiscal year 2016. This increase in net cash used in operating activities was due to a net change in operating assets and liabilities of $27,068,000 due to the timing of cash receipts and expenditures primarily associated with customer deposits, deferred revenue, accrued clinical trial and related fees, inventories, and trade and other receivables, offset by a decrease of $26,873,000 in net loss reported for fiscal year 2017 after deducting non-cash operating expenses as described in the above table.

Net cash used in operating activities increased $3,572,000 to $39,591,000 for fiscal year 2016 compared to net cash used in operating activities of $36,019,000 for fiscal year 2015. This increase in net cash used in operating activities was due to an increase of $6,592,000 in net loss reported for fiscal year 2016 after deducting non-cash operating expenses as described in the above table, offset by a net change in operating assets and liabilities of $3,020,000 due to the timing of cash receipts and expenditures.

Cash Used In Investing Activities. Net cash used in investing activities for the fiscal years ended April 30, 2017, 2016, and 2015, was $2,992,000, $8,791,000, and $8,449,000, respectively.

Cash used in investing activities during fiscal year 2017 consisted of property and equipment acquisitions of $1,501,000 related to our manufacturing operations combined with an increase in other assets of $1,491,000 primarily related to deposits and/or progress payments for certain equipment to support the growth of our manufacturing operations.

Cash used in investing activities during fiscal year 2016 consisted of property and equipment acquisitions of $9,324,000 offset by a decrease in other assets of $533,000. Property and equipment acquisitions during fiscal year 2016 primarily related to costs associated with the construction of our Myford Facility to support Avid's projected revenue growth and to support the manufacturing of our product candidates. The construction of the Myford Facility was completed and placed into service during fiscal year 2016.

Cash used in investing activities during fiscal year 2015 consisted of property and equipment acquisitions of $9,047,000 offset by a decrease in other assets of $598,000. Property and equipment acquisitions during fiscal year 2015 primarily related to construction-in-progress associated with the construction of the aforementioned Myford Facility, the implementation of an enterprise resource planning system, and the acquisition of laboratory equipment.

Cash Provided By Financing Activities. Net cash provided by financing activities for the fiscal years ended April 30, 2017, 2016, and 2015, was $28,165,000, $41,793,000 and $34,979,000, respectively.

Net cash provided by financing activities during fiscal year 2017 consisted of (i) $17,759,000 in net proceeds from the sale of shares of our common stock under an At Market Issuance Sales Agreement, (ii) $12,691,000 in net proceeds from the sale of shares of our common stock under an Equity Distribution Agreement, (iii) $1,576,000 in net proceeds from the sale of shares of our Series E Preferred Stock under a separate At Market Issuance Sales Agreement, (iv) $526,000 in net proceeds from the purchase of shares of our common stock under our Employee Stock Purchase Plan (the "ESPP"), and (v) $31,000 in net proceeds from stock option exercises, which amounts were offset by dividends paid on our issued and outstanding Series E Preferred Stock of $4,279,000 and principal payments on a capital lease of $139,000.

Net cash provided by financing activities during fiscal year 2016 consisted of (i) $19,999,000 in net proceeds from the sale of shares of our common stock under a Common Stock Purchase Agreement, (ii) $18,402,000 in net proceeds from the sale of shares of our common stock under two separate At Market Issuance Sales Agreements, (iii) $6,794,000 in net proceeds from the sale of shares of our common stock under an Equity Distribution Agreement, (iv) $540,000 in net proceeds from the purchase of shares of our common stock under our ESPP, (v) $138,000 in net proceeds from stock option exercises, and (vi) $59,000 in net proceeds from the sale of shares of our Series E Preferred Stock under a separate At Market Issuance Sales Agreement, which amounts were offset by dividends paid on our issued and outstanding Series E Preferred Stock of $4,139,000.

Net cash provided by financing activities during fiscal year 2015 consisted of (i) $19,235,00 in net proceeds from the sale of shares of our common stock under two separate At Market Issuance Sales Agreements, (ii) $18,203,000 in net proceeds from the sale of shares of our Series E Preferred Stock under a separate At Market Issuance Sales Agreement (iii) $608,000 in net proceeds from the purchase of shares of our common stock under our ESPP, and (iv) $298,000 in net proceeds from stock option exercises, which amounts were offset by dividends paid on our issued and outstanding Series E Preferred Stock of $3,352,000 and principal payments on a capital lease of $13,000.

Contractual Obligations

Contractual obligations represent future cash commitments and liabilities under agreements with third parties, and exclude contractual liabilities already recorded on our consolidated balance sheet as current liabilities and contingent liabilities for which we cannot reasonably predict future payments. The following chart represents our contractual obligations as of April 30, 2017, aggregated by type:

	Payments Due by Period				
	Total	**< 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Operating leases (1)	$ 26,099,000	$ 2,741,000	$ 6,091,000	$ 5,905,000	$ 11,362,000
Capital lease obligation (2)	180,000	180,000	–	–	–
Purchase obligations (3)	4,469,000	1,089,000	3,380,000	–	–
Total contractual obligations	$ 30,748,000	$ 4,010,000	$ 9,471,000	$ 5,905,000	$ 11,362,000

(1) Represents future minimum lease payments under all non-cancelable operating leases including our facility operating leases as further described in Note 3 to the accompanying audited consolidated financial statements.
(2) Represents a capital lease agreement to finance certain office equipment. Amounts include principal and interest.
(3) Primarily represents non-cancellable purchase orders for certain consumables associated with our single use bioreactors in our Myford Facility.

Off Balance Sheet Arrangements.

We do not have any off balance sheet arrangements, as defined in Item 303 of Regulation S-K.

Recently Issued Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies - Pending Adoption of Recent Accounting Pronouncements* , in the accompanying Notes to Consolidated Financial Statements for a discussion of recent accounting pronouncements and their effect, if any, on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our cash and cash equivalents are primarily invested in money market funds with one major commercial bank with the primary objective to preserve our principal balance. Our deposits held with this bank exceed the amount of government insurance limits provided on our deposits and, therefore, we are exposed to credit risk in the event of default by the major commercial bank holding our cash balances. However, these deposits may be redeemed upon demand and, therefore, bear minimal risk. In addition, while changes in U.S. interest rates would affect the interest earned on our cash balances at April 30, 2017, such changes would not have a material adverse effect on our financial position or results of operations based on historical movements in interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to the financial statements set forth in Item 15 of Part IV of this Annual Report, "Exhibits and Financial Statement Schedules."

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The term "disclosure controls and procedures" (defined in Rule 13a-15(e) under the Exchange Act refers to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the required time periods. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of April 30, 2017. Based on this evaluation, our president and chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of April 30, 2017 to ensure the timely disclosure of required information in our SEC filings.

(b) Management's Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting and the report of our independent registered public accounting firm on our internal control over financial reporting, which appear on the following pages, are incorporated herein by this reference.

(c) Changes in Internal Control over Financial Reporting. There have been no significant changes in our internal control over financial reporting during the fourth quarter of the fiscal year ended April 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PEREGRINE PHARMACEUTICALS, INC.
MANAGEMENT'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is a process designed, as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Securities Exchange Act of 1934, as amended, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting is supported by written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual consolidated financial statements, management of the Company has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of the Company's internal control over financial reporting.

Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of April 30, 2017.

Ernst & Young LLP, the independent registered public accounting firm that audited the company's consolidated financial statements included in this Annual Report on Form 10-K, has issued an attestation report on the Company's internal control over financial reporting which appears on the following page.

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

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

July 14, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Peregrine Pharmaceuticals, Inc.

We have audited Peregrine Pharmaceuticals, Inc.'s internal control over financial reporting as of April 30, 2017, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Peregrine Pharmaceuticals, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Peregrine Pharmaceuticals, Inc.'s Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Peregrine Pharmaceuticals, Inc. maintained, in all material respects, effective internal control over financial reporting as of April 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Peregrine Pharmaceuticals, Inc. as of April 30, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended April 30, 2017 of Peregrine Pharmaceuticals Inc., and our report dated July 14, 2017 expressed an unqualified opinion thereon that included an explanatory paragraph regarding Peregrine Pharmaceuticals, Inc.'s ability to continue as a going concern .

/s/ Ernst & Young LLP
Irvine, California
July 14, 2017

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item regarding our directors, executive officers and committees of our board of directors is incorporated by reference to the information set forth under the captions "Election of Directors," "Executive Compensation" and "Corporate Governance" in our 2017 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2017 (the "2017 Definitive Proxy Statement").

Information required by this Item regarding Section 16(a) reporting compliance is incorporated by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2017 Definitive Proxy Statement.

Information required by this Item regarding our code of ethics is incorporated by reference to the information set forth under the caption "Corporate Governance" in our 2017 Definitive Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the information set forth under the captions "Director Compensation," "Compensation Discussion and Analysis" and "Executive Compensation" in our 2017 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2017.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Other than as set forth below, the information required by this Item is incorporated by reference to the information set forth under the caption "Security Ownership of Certain Beneficial Owners, Directors and Management" in our 2017 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2017.

Equity Compensation Plan Information

We currently maintain six equity compensation plans: the 2002 Stock Incentive Plan (the "2002 Plan"), the 2003 Stock Incentive Plan (the "2003 Plan"), the 2005 Stock Incentive Plan (the "2005 Plan"), the 2009 Stock Incentive Plan (the "2009 Plan"), the 2010 Stock Incentive Plan (the "2010 Plan") and the 2011 Stock Incentive Plan, as amended on October 15, 2015 (the "2011 Plan"), in addition to which we maintain our Employee Stock Purchase Plan. The 2003 Plan, 2005 Plan, 2009 Plan, 2010 Plan and 2011 Plan, as well as the Employee Stock Purchase Plan, were approved by our stockholders, while we did not submit the 2002 Plan for stockholder approval.

The 2002 Plan, which expired in June 2012, was a broad-based non-qualified stock option plan for the issuance of up to 85,714 options. The 2002 Plan provided for the granting of options to purchase shares of our common stock at prices not less than the fair market value of our common stock at the date of grant and generally expired ten years after the date of grant. No additional options can be granted under the expired 2002 Plan, however, the terms of the 2002 Plan remain in effect with respect to outstanding options granted under the 2002 Plan until they are exercised, canceled or expired.

The following table sets forth certain information as of April 30, 2017 concerning our common stock that may be issued upon the exercise of options or pursuant to purchases of stock under all of our equity compensation plans approved by stockholders and equity compensation plans not approved by stockholders in effect as of April 30, 2017:

Plan Category	(a) Number of Securities to be Issued Upon the Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights ($/share)	(c) Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders [1]	4,050,332	8.72	1,549,324
Equity compensation plans not approved by stockholders [1]	31,216[2]	14.79	–
Employee Stock Purchase Plan approved by stockholders [1]	–	–	1,359,736
Total	4,081,548[3]	8.77[4]	2,909,060

(1) All share and per share amounts of our common stock for all periods presented have been retroactively adjusted to reflect the one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on July 10, 2017 (as described in Note 1 to the accompanying consolidated financial statements).

(2) Includes 5,130 options granted in a previous fiscal year to one of our named executive officers.

(3) Represents shares to be issued upon the exercise of outstanding options. There were no shares of common stock subject to restricted stock awards as of April 30, 2017.

(4) Represents the weighted-average exercise price of outstanding options.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to the information set forth under the captions “Certain Relationships and Related Transactions,” “Director Independence” and “Compensation Committee Interlocks and Insider Participation” in our 2017 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2017.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference to the information set forth under the caption “Independent Registered Public Accounting Firm Fees” in our 2017 Definitive Proxy Statement to be filed within 120 days after the end of our fiscal year ended April 30, 2017.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements

Index to consolidated financial statements filed as part of this Form 10-K:

	Page
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of April 30, 2017 and 2016	F-2
Consolidated Statements of Operations and Comprehensive Loss for each of the three years in the period ended April 30, 2017	F-4
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended April 30, 2017	F-5
Consolidated Statements of Cash Flows for each of the three years in the period ended April 30, 2017	F-6
Notes to Consolidated Financial Statements	F-8

(2) Financial Statement Schedules

All schedules are omitted as the required information is inapplicable, or the information is presented in the consolidated financial statements or related notes.

(3) Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of Peregrine Pharmaceuticals, Inc., a Delaware corporation, as amended through July 7, 2017. ***
3.2	Amended and Restated Bylaws of Peregrine Pharmaceuticals, Inc., a Delaware corporation (Incorporated by reference to Exhibit 3.2 to Registrant's Current Report on Form 8-K as filed with the Commission on November 14, 2014).
4.1	Form of Certificate for Common Stock (Incorporated by reference to Exhibit 4.1 to Registrant's Annual Report on Form 10-K for the year end April 30, 1988).
4.2	Form of Non-qualified Stock Option Agreement by and between Registrant, Director and certain consultants dated December 22, 1999 (Incorporated by reference to Exhibit 4.16 to Registrant's Registration Statement on Form S-3 (File No. 333-40716)). *
4.3	Peregrine Pharmaceuticals, Inc. 2002 Non-Qualified Stock Option Plan (Incorporated by reference to Exhibit 4.17 to Registrant's Registration Statement on Form S-8 (File No. 333-106385)). *
4.4	Form of 2002 Non-Qualified Stock Option Agreement (Incorporated by reference to Exhibit 4.18 to Registrant's Registration Statement on Form S-8 (File No. 333-106385)). *
4.5	Amended and Restated Rights Agreement, dated March 16, 2016, between Peregrine Pharmaceuticals, Inc. and Broadridge Corporate Issuer Solutions, Inc., as Rights Agent (Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K as filed with the Commission on March 17, 2016).
4.6	2003 Stock Incentive Plan Non-qualified Stock Option Agreement (Incorporated by reference to Exhibit 10.95 to Registrant's Registration Statement on Form S-8 (File No. 333-121334)). *
4.7	2003 Stock Incentive Plan Incentive Stock Option Agreemen t (Incorporated by reference to Exhibit 10.96 to Registrant's Registration Statement on Form S-8 (File No. 333-121334)). *
4.8	Form of Incentive Stock Option Agreement for 2005 Stock Incentive Plan (Incorporated by reference to Exhibit 10.98 to Registrant's Current Report on Form 8-K as filed with the Commission on October 28, 2005). *
4.9	Form of Non-Qualified Stock Option Agreement for 2005 Stock Incentive Plan (Incorporated by reference to Exhibit 10.99 to Registrant's Current Report on Form 8-K as filed with the Commission on October 28, 2005). *
4.10	Peregrine Pharmaceuticals, Inc., 2005 Stock Incentive Plan (Incorporated by reference to Exhibit B to Registrant's Definitive Proxy Statement filed with the Commission on August 29, 2005). *
4.11	Form of Incentive Stock Option Agreement for 2009 Stock Incentive Plan (Incorporated by reference to Exhibit 4.14 to Registrant's Current Report on Form 8-K as filed with the Commission on October 27, 2009). *
4.12	Form of Non-Qualified Stock Option Agreement for 2009 Stock Incentive Plan (Incorporated by reference to Exhibit 4.15 to Registrant's Current Report on Form 8-K as filed with the Commission on October 27, 2009). *
4.13	Form of Restricted Stock Issuance Agreement dated February 1, 2010 (Incorporated by reference to Exhibit 4.15 to Registrant's Annual Report on Form 10-K as filed with the Commission on July 14, 2011). *
4.14	2010 Stock Incentive Plan (Incorporated by reference to Exhibit A to Registrant's Definitive Proxy Statement filed with the Commission on August 27, 2010). *
4.15	Form of Stock Option Award Agreement under 2010 Stock Incentive Plan (Incorporated by reference to Exhibit 4.17 to Registrant's Registration Statement on Form S-8 (File No. 333-171067)). *
4.16	2010 Employee Stock Purchase Plan (Incorporated by reference to Exhibit B to Registrant's Definitive Proxy Statement filed with the Commission on August 27, 2010). *

Exhibit Number	Description
4.17	A mendment to the 2010 Employee Stock Purchase Plan (Incorporated by reference to Exhibit B to Registrant's Definitive Proxy Statement filed with the Commission on August 26, 2016). *
4.18	2011 Stock Incentive Plan (Incorporated by reference to Exhibit A to Registrant's Definitive Proxy Statement filed with the Commission on August 26, 2011). *
4.19	Form of Stock Option Award Agreement under 2011 Stock Incentive Plan (Incorporated by reference to Exhibit 4.20 to Registrant's Registration Statement on Form S-8 (File No. 333-178452)). *
4.20	First Amendment to the Peregrine Pharmaceuticals, Inc., 2011 Stock Incentive Plan (Incorporated by reference to Exhibit A to Registrant's Definitive Proxy Statement filed with the Commission on August 27, 2012). *
4.21	Second Amendment to the Peregrine Pharmaceuticals, Inc. 2011 Stock Incentive Plan (Incorporated by reference to Exhibit A to Registrant's Definitive Proxy Statement filed with the Commission on August 26, 2013). *
4.22	First Amendment to the Peregrine Pharmaceuticals, Inc., 2005 Stock Incentive Plan dated April 24, 2015. *
4.23	First Amendment to the Peregrine Pharmaceuticals, Inc. 2009 Stock Incentive Plan dated April 24, 2015 . *
4.24	Third Amendment to the Peregrine Pharmaceuticals, Inc. 2011 Stock Incentive Plan dated April 24, 2015. *
4.25	Form of Amendment to Non-Qualified Stock Option Agreement Under the Peregrine Pharmaceuticals, Inc., 2005 Stock Incentive Plan related to Non-Employee Director stock option awards. *
4.26	Form of Amendment to Non-Qualified Stock Option Agreement Under the Peregrine Pharmaceuticals, Inc., 2009 Stock Incentive Plan related to Non-Employee Director stock option awards. *
4.27	Form of Amendment to Stock Option Award Agreement Under the Peregrine Pharmaceuticals, Inc., 2011 Stock Incentive Plan related to Non-Employee Director stock option awards. *
10.1	Lease and Agreement of Lease between TNCA, LLC, as Landlord, and Techniclone Corporation, as Tenant, dated as of December 24, 1998 (Incorporated by reference to Exhibit 10.48 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 1999).
10.2	First Amendment to Lease and Agreement of Lease between TNCA, LLC, as Landlord, and Peregrine Pharmaceuticals, Inc., as Tenant, dated December 22, 2005 (Incorporated by reference to Exhibit 99.1 and 99.2 to Registrant's Current Report on Form 8-K as filed with the Commission on December 23, 2005).
10.3	Exclusive Patent License Agreement between The University of Texas System and Peregrine Pharmaceuticals, Inc., effective as of August 18, 2005 (Incorporated by reference to Exhibit 10.17 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). **
10.4	Amendment No. 1 to Exclusive Patent License Agreement between The University of Texas System and Peregrine Pharmaceuticals, Inc., dated June 1, 2009 (Incorporated by reference to Exhibit 10.18 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). **
10.5	Exclusive Patent License Agreement between The University of Texas System and Peregrine Pharmaceuticals, Inc., effective as of August 1, 2001 (Incorporated by reference to Exhibit 10.19 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). **

Exhibit Number	Description
10.6	Amendment No. 1 to Exclusive Patent License agreement between The University of Texas System and Peregrine Pharmaceuticals, Inc., dated June 1, 2009 (Incorporated by reference to Exhibit 10.20 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). **
10.7	Non-Exclusive Cabilly Patent License Agreement between Genentech, Inc. and Peregrine Pharmaceuticals, Inc., effective as of November 5, 2003 (Incorporated by reference to Exhibit 10.21 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). **
10.8	Commercial License Agreement between Avanir Pharmaceuticals, Inc. and Peregrine Pharmaceuticals, Inc., dated December 1, 2003 (Incorporated by reference to Exhibit 10.22 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). **
10.9	License Agreement between Lonza Biologics PLC and Peregrine Pharmaceuticals, Inc., dated March 1, 2005 (Incorporated by reference to Exhibit 10.24 to Registrant's Current Report on Form 8-K as filed with the Commission on April 14, 2010). **
10.10	Annual Bonus Plan for Executive Officers adopted July 12, 2011 (Incorporated by reference to Exhibit 10.29 to Registrant's Annual Report on Form 10-K as filed with the Commission on July 14, 2011). *
10.11	Warrant to Purchase Stock issued to Oxford Finance LLC, dated August 30, 2012 (Incorporated by reference to Exhibit 10.29 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 10, 2012).
10.12	Warrant to Purchase Stock issued to Midcap Financial SBIC LP, dated August 30, 2012 (Incorporated by reference to Exhibit 10.30 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 10, 2012).
10.13	Warrant to Purchase Stock issued to Silicon Valley Bank, dated August 30, 2012 (Incorporated by reference to Exhibit 10.31 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on December 10, 2012).
10.14	Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Steven W. King, effective December 27, 2012 (Incorporated by reference to Exhibit 10.34 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). *
10.15	Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Paul J. Lytle, effective December 27, 2012 (Incorporated by reference to Exhibit 10.35 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). *
10.16	Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Shelley P.M. Fussey, Ph.D., effective December 27, 2012 (Incorporated by reference to Exhibit 10.36 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). *
10.17	Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Joseph Shan, effective December 27, 2012 (Incorporated by reference to Exhibit 10.37 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). *
10.18	Amended and Restated Employment Agreement by and between Peregrine Pharmaceuticals, Inc. and Mark R. Ziebell, effective December 27, 2012 (Incorporated by reference to Exhibit 10.38 to Registrant's Quarterly Report on Form 10-Q as filed with the Commission on March 12, 2013). *
10.19	At Market Issuance Sales Agreement, dated June 13, 2014, by and between Peregrine Pharmaceuticals, Inc. and MLV & Co. LLC (Incorporated by reference to Exhibit 10.28 to Registrant's Current Report on Form 8-K as filed with the Commission on June 16, 2014).
10.20	At Market Issuance Sales Agreement, dated August 7, 2015, by and between Peregrine Pharmaceuticals, Inc. and MLV & Co. LLC (Incorporated by reference to Exhibit 10.26 to Registrant's Current Report on Form 8-K as filed with the Commission on August 7, 2015).

Exhibit Number	Description
10.21	Equity Distribution Agreement, dated August 7, 2015, by and between Peregrine Pharmaceuticals, Inc. and Noble International Investments, Inc., doing business as Noble Life Science Partners, a division of Noble Financial Capital Markets (Incorporated by reference to Exhibit 10.27 to Registrant's Current Report on Form 8-K as filed with the Commission on August 7, 2015).
21	Subsidiaries of Registrant. ***
23.1	Consent of Independent Registered Public Accounting Firm. ***
24	Power of Attorney (included on signature page of Annual Report). ***
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended. ***
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended. ***
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b)/15d-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350. ***
101.INS	XBRL Taxonomy Extension Instance Document. ***
101.SCH	XBRL Taxonomy Extension Schema Document. ***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. ***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. ***
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. ***
101.PRE	XBRL Presentation Extension Linkbase Document. ***

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

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

*** *Filed herewith.*

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PEREGRINE PHARMACEUTICALS, INC.

Dated: July 14, 2017

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

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Steven W. King, President and Chief Executive Officer, and Paul J. Lytle, Chief Financial Officer, and each of them, his true and lawful attorneys-in-fact and agents, with the full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or either of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Capacity	Date
/s/ Steven W. King Steven W. King	President and Chief Executive Officer (Principal Executive Officer), and Director	July 14, 2017
/s/ Paul J. Lytle Paul J. Lytle	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	July 14, 2017
/s/ Carlton M. Johnson Carlton M. Johnson	Director	July 14, 2017
/s/ David H. Pohl David H. Pohl	Director	July 14, 2017
/s/ Eric S. Swartz Eric S. Swartz	Director	July 14, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Peregrine Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Peregrine Pharmaceuticals, Inc. as of April 30, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended April 30, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peregrine Pharmaceuticals, Inc. at April 30, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended April 30, 2017, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has recurring losses from operations and negative cash flows from operating activities that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Peregrine Pharmaceuticals, Inc.'s internal control over financial reporting as of April 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated July 14, 2017, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Irvine, California
July 14, 2017

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 46,799,000	$ 61,412,000
Trade and other receivables	7,742,000	2,859,000
Inventories	33,099,000	16,186,000
Prepaid expenses	1,460,000	1,351,000
Total current assets	89,100,000	81,808,000
PROPERTY AND EQUIPMENT:		
Leasehold improvements	20,098,000	19,610,000
Laboratory equipment	10,777,000	10,257,000
Furniture, fixtures, office equipment and software	4,499,000	4,045,000
	35,374,000	33,912,000
Less accumulated depreciation and amortization	(11,700,000)	(9,610,000)
Property and equipment, net	23,674,000	24,302,000
Restricted cash	1,150,000	600,000
Other assets	4,188,000	2,333,000
TOTAL ASSETS	$ 118,112,000	$ 109,043,000

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2017 AND 2016 (continued)

	2017	2016
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 5,779,000	$ 8,429,000
Accrued clinical trial and related fees	4,558,000	7,594,000
Accrued payroll and related costs	6,084,000	5,821,000
Deferred revenue	28,500,000	10,030,000
Customer deposits	17,017,000	24,212,000
Other current liabilities	993,000	1,488,000
Total current liabilities	62,931,000	57,574,000
Deferred rent, less current portion	1,599,000	1,395,000
Commitments and contingencies		
STOCKHOLDERS' EQUITY [(1)] :		
Preferred stock - $.001 par value; authorized 5,000,000 shares; issued and outstanding - 1,647,760 and 1,577,440, respectively	2,000	2,000
Common stock - $.001 par value; authorized 500,000,000 shares; issued and outstanding - 44,014,040 and 33,847,213, respectively	44,000	34,000
Additional paid-in-capital	590,971,000	559,314,000
Accumulated deficit	(537,435,000)	(509,276,000)
Total stockholders' equity	53,582,000	50,074,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 118,112,000	$ 109,043,000

(1) All share and per share amounts of our common stock for all periods presented have been retroactively adjusted to reflect the one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on July 10, 2017 (Note 1).

See accompanying notes to consolidated financial statements.

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2017

	2017	2016	2015
REVENUES:			
Contract manufacturing revenue	$ 57,630,000	$ 44,357,000	$ 26,744,000
License revenue	–	329,000	37,000
Total revenues	57,630,000	44,686,000	26,781,000
COSTS AND EXPENSES:			
Cost of contract manufacturing	38,259,000	22,966,000	15,593,000
Research and development	28,297,000	59,529,000	42,996,000
Selling, general and administrative	19,334,000	18,551,000	18,691,000
Total costs and expenses	85,890,000	101,046,000	77,280,000
LOSS FROM OPERATIONS	(28,260,000)	(56,360,000)	(50,499,000)
OTHER INCOME (EXPENSE):			
Interest and other income	108,000	722,000	142,000
Interest and other expense	(7,000)	(14,000)	(1,000)
NET LOSS	$ (28,159,000)	$ (55,652,000)	$ (50,358,000)
COMPREHENSIVE LOSS	$ (28,159,000)	$ (55,652,000)	$ (50,358,000)
Series E preferred stock accumulated dividends	(4,640,000)	(4,484,000)	(3,696,000)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (32,799,000)	$ (60,136,000)	$ (54,054,000)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic and Diluted [1]	37,109,493	30,895,089	26,079,762
BASIC AND DILUTED LOSS PER COMMON SHARE [1]	$ (0.88)	$ (1.95)	$ (2.07)

(1) All share and per share amounts of our common stock for all periods presented have been retroactively adjusted to reflect the one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on July 10, 2017 (Note 1).

See accompanying notes to consolidated financial statements.

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2017

	Preferred Stock		Common Stock [1]		Additional Paid-In	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
BALANCES, April 30, 2014	**775,000**	**$ 1,000**	**25,553,024**	**$ 26,000**	**$ 470,938,000**	**$ (403,266,000)**	**$ 67,699,000**
Series E preferred stock issued for cash under June 13, 2014 Financing, net of issuance costs of $1,002,000	799,764	1,000	–	–	18,202,000	–	18,203,000
Series E preferred stock dividends	–	–	–	–	(3,352,000)	–	(3,352,000)
Common stock issued for cash under December 27, 2012 Financing, net of issuance costs of $161,000	–	–	569,052	1,000	6,042,000	–	6,043,000
Common stock issued for cash under June 13, 2014 Financing, net of issuance costs of $352,000	–	–	1,383,109	1,000	13,191,000	–	13,192,000
Common stock issued under Employee Stock Purchase Plan	–	–	71,063	–	608,000	–	608,000
Common stock issued upon exercise of options	–	–	44,699	–	298,000	–	298,000
Share-based compensation	–	–	–	–	6,702,000	–	6,702,000
Net loss	–	–	–	–	–	(50,358,000)	(50,358,000)
BALANCES, April 30, 2015	**1,574,764**	**2,000**	**27,620,947**	**28,000**	**512,629,000**	**(453,624,000)**	**59,035,000**
Series E preferred stock issued for cash under June 13, 2014 Financing, net of issuance costs of $1,000	2,676	–	–	–	59,000	–	59,000
Series E preferred stock dividends	–	–	–	–	(4,139,000)	–	(4,139,000)
Common stock issued for cash under June 13, 2014 Financing, net of issuance costs of $311,000	–	–	1,232,821	1,000	11,144,000	–	11,145,000
Common stock issued for cash under August 7, 2015 Financing, net of issuance costs of $190,000	–	–	964,523	1,000	7,256,000	–	7,257,000
Common stock issued for cash under August 7, 2015 Financing, net of issuance costs of $175,000	–	–	1,210,328	1,000	6,793,000	–	6,794,000
Common stock issued for cash under October 30, 2015 Financing, net of issuance costs of $1,000	–	–	2,645,503	3,000	19,996,000	–	19,999,000
Common stock issued under Employee Stock Purchase Plan	–	–	147,769	–	540,000	–	540,000
Common stock issued upon exercise of options	–	–	25,322	–	138,000	–	138,000
Share-based compensation	–	–	–	–	4,898,000	–	4,898,000
Net loss	–	–	–	–	–	(55,652,000)	(55,652,000)
BALANCES, April 30, 2016	**1,577,440**	**2,000**	**33,847,213**	**34,000**	**559,314,000**	**(509,276,000)**	**50,074,000**
Series E preferred stock issued for cash under June 13, 2014 Financing, net of issuance costs of $58,000	70,320	–	–	–	1,576,000	–	1,576,000
Series E preferred stock dividends	–	–	–	–	(4,279,000)	–	(4,279,000)
Common stock issued for cash under August 7, 2015 Financing, net of issuance costs of $487,000	–	–	6,137,403	6,000	17,753,000	–	17,759,000
Common stock issued for cash under August 7, 2015 Financing, net of issuance costs of $340,000	–	–	3,750,323	4,000	12,687,000	–	12,691,000
Common stock issued under Employee Stock Purchase Plan	–	–	270,075	–	526,000	–	526,000
Common stock issued upon exercise of options	–	–	9,026	–	31,000	–	31,000
Share-based compensation	–	–	–	–	3,363,000	–	3,363,000
Net loss	–	–	–	–	–	(28,159,000)	(28,159,000)
BALANCES, April 30, 2017	**1,647,760**	**$ 2,000**	**44,014,040**	**$ 44,000**	**$ 590,971,000**	**$ (537,435,000)**	**$ 53,582,000**

(1) All share and per share amounts of our common stock for all periods presented have been retroactively adjusted to reflect the one-for-seven reverse stock split of our issued and outstanding common stock, which took effect on July 10, 2017 (Note 1).

See accompanying notes to consolidated financial statements.

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2017

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (28,159,000)	$ (55,652,000)	$ (50,358,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation	3,363,000	4,898,000	6,702,000
Depreciation and amortization	2,463,000	1,535,000	1,041,000
Loss on disposal of property and equipment	1,000	14,000	2,000
Changes in operating assets and liabilities:			
Trade and other receivables	(4,883,000)	954,000	(2,481,000)
Inventories	(16,913,000)	(8,832,000)	(1,824,000)
Prepaid expenses	(109,000)	4,000	64,000
Restricted cash	(550,000)	(600,000)	–
Other non-current assets	278,000	(325,000)	12,000
Accounts payable	(3,308,000)	(3,521,000)	3,278,000
Accrued clinical trial and related fees	(3,036,000)	3,684,000	(523,000)
Accrued payroll and related costs	263,000	1,215,000	769,000
Deferred revenue	18,470,000	3,400,000	1,097,000
Customer deposits	(7,195,000)	12,849,000	5,603,000
Other accrued expenses and current liabilities	(675,000)	1,051,000	(52,000)
Deferred rent, less current portion	204,000	(265,000)	651,000
Net cash used in operating activities	(39,786,000)	(39,591,000)	(36,019,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property and equipment acquisitions	(1,501,000)	(9,324,000)	(9,047,000)
(Increase) decrease in other assets	(1,491,000)	533,000	598,000
Net cash used in investing activities	(2,992,000)	(8,791,000)	(8,449,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net of issuance costs of $827,000, $677,000, and $513,000, respectively	30,450,000	45,195,000	19,235,000
Proceeds from issuance of Series E preferred stock, net of issuance costs of $58,000, $1,000, and $1,002,000, respectively	1,576,000	59,000	18,203,000
Proceeds from issuance of common stock under Employee Stock Purchase Plan	526,000	540,000	608,000
Proceeds from exercise of stock options	31,000	138,000	298,000
Dividends paid on preferred stock	(4,279,000)	(4,139,000)	(3,352,000)
Principal payments on capital lease	(139,000)	–	(13,000)
Net cash provided by financing activities	28,165,000	41,793,000	34,979,000

PEREGRINE PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED APRIL 30, 2017 (continued)

	2017	2016	2015
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (14,613,000)	$ (6,589,000)	$ (9,489,000)
CASH AND CASH EQUIVALENTS, beginning of period	61,412,000	68,001,000	77,490,000
CASH AND CASH EQUIVALENTS, end of period	$ 46,799,000	$ 61,412,000	$ 68,001,000
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	$ 6,000	$ –	$ –
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Accounts payable and other liabilities for purchase of property and equipment and other assets	$ 658,000	$ 1,565,000	$ 4,673,000
Lease incentives	$ –	$ 562,000	$ 100,000
Property and equipment acquired under capital lease	$ 319,000	$ –	$ –

See accompanying notes to consolidated financial statements.

1. ORGANIZATION AND BUSINESS DESCRIPTION

Organization – In this Annual Report, "Peregrine," "Company," "we," "us," and "our," refer to Peregrine Pharmaceuticals, Inc., and our wholly-owned subsidiary, Avid Bioservices, Inc. ("Avid"). Peregrine was incorporated under the laws of the state of California in June 1981, reincorporated in Delaware in September 1996 and commenced operations of Avid in January 2002.

Business Description – We are a biopharmaceutical company committed to improving the lives of patients by manufacturing pharmaceutical products through, Avid, our contract development and manufacturing organization ("CDMO") and through advancing and licensing our novel, development-stage immunotherapy product.

Reverse Stock Split – On July 7, 2017, we effected a reverse stock split of our outstanding shares of common stock at a ratio of one-for-seven pursuant to our filed Certificate of Amendment to our Certificate of Incorporation with the Secretary of State of the State of Delaware. The reverse stock split took effect with the opening of trading on July 10, 2017. The primary purpose of the reverse stock split, which was approved by our stockholders at our 2016 Annual Meeting on October 13, 2016, was to enable us to regain compliance with the $1.00 minimum bid price requirement for continued listing on The NASDAQ Capital Market. Pursuant to the reverse stock split, every seven shares of our issued and outstanding shares of common stock were automatically combined into one issued and outstanding share of common stock, without any change in the par value per share of our common stock. All share and per share amounts of our common stock included in the accompanying consolidated financial statements have been retrospectively adjusted to give effect to the reverse stock split for all periods presented, including reclassifying an amount equal to the reduction in par value to additional paid-in capital. No fractional shares were issued in connection with the reverse stock split. Any fractional share of common stock created by the reverse stock split was rounded up to the nearest whole share. The number of authorized shares of our common stock remained unchanged.

The reverse stock split affected all issued and outstanding shares of our common stock, as well as the shares of common stock underlying our stock options, employee stock purchase plan, warrants and the general conversion right with respect to our 10.50% Series E Convertible Preferred Stock (the "Series E Preferred Stock").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of Peregrine and its wholly-owned subsidiary, Avid. All intercompany balances and transactions have been eliminated.

Use of Estimates – The preparation of our financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ materially from these estimates.

Going Concern – For the year ended April 30, 2017, we adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* , which requires us to evaluate whether there are conditions or events that, in the aggregate, raise substantial doubt about our ability to continue as a going concern and to meet our obligations as they become due within one year after the date that the financial statements are issued.

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

At April 30, 2017, we had $46,799,000 in cash and cash equivalents. We have expended substantial funds on the research and development of our product candidates, and funding the operations of Avid. As a result, we have historically experienced losses and negative cash flows from operations since our inception and we expect negative cash flows from operations to continue for the foreseeable future until we can generate sufficient revenue from Avid's contract manufacturing services to achieve profitability. Therefore, unless and until we are able to generate sufficient revenue from Avid's contract manufacturing services or from the sale or licensing of our product candidate under development, we expect such losses to continue through at least the fiscal year ending April 30, 2018, and as a result, we will require additional capital to fund our operations and to execute our business plans.

Our ability to continue to fund our operations is highly dependent on the amount of cash and cash equivalents on hand combined with our ability to raise additional capital to support our future operations through one or more methods, including but not limited to, (i) raising additional capital in the equity markets, (ii) generating additional revenue from Avid, or (iii) licensing or partnering our product candidate in development.

Historically, we have funded a significant portion of our operations through the issuance of equity. During fiscal year 2017, we raised $31,277,000 in aggregate gross proceeds from the sale of shares of our common stock and raised an additional $1,634,000 in aggregate gross proceeds from the sale of shares of our Series E Preferred Stock (Note 5). Subsequent to April 30, 2017 and through June 30, 2017, we raised an additional $4,304,000 in aggregate gross proceeds from the sale of shares of our common stock (Note 12). As of July 14, 2017, $67,674,000 remained available to us under our effective shelf registration statement, which allows us from time to time to offer and sell shares of our common stock, in one or more offerings, either individually or in combination.

Our ability to raise additional capital in the equity markets to fund our obligations in future periods is dependent on a number of factors, including, but not limited to, the market demand for our common stock. The market demand or liquidity of our common stock is subject to a number of risks and uncertainties, including but not limited to, negative economic conditions, adverse market conditions, adverse financial results, and negative research and development results. If we are unable to either (i) raise sufficient capital in the equity markets, (ii) generate additional revenue from Avid, or (iii) license or partner our product candidate in development, or any combination thereof, we may need to delay, scale back, or eliminate all our research and development efforts, or restructure our operations. In addition, even if we are able to raise additional capital, it may not be at a price or on terms that are favorable to us.

As a result, we have concluded that there is substantial doubt about our ability to continue as a going concern within one year after the date that our financial statements are issued.

Cash and Cash Equivalents – We consider all short-term investments readily convertible to cash with an initial maturity of three months or less to be cash equivalents.

Restricted Cash – Under the terms of three separate operating leases related to our facilities, we are required to maintain, as collateral, letters of credit during the terms of such leases (Note 3). At April 30, 2017 and 2016, restricted cash of $1,150,000 and $600,000, respectively, was pledged as collateral under these letters of credit.

Trade and Other Receivables – Trade receivables are recorded at the invoiced amount net of an allowance for doubtful accounts, if necessary. Other receivables are reported at amounts expected to be collected net of an allowance for doubtful accounts, if necessary. Trade and other receivables, net, at April 30, consist of the following:

	2017	2016
Trade receivables [1]	$ 7,274,000	$ 2,494,000
Other receivables	468,000	365,000
Trade and other receivables	$ 7,742,000	$ 2,859,000

[1] Represents amounts billed for contract manufacturing services provided by Avid.

Allowance for Doubtful Accounts – We continually monitor our allowance for doubtful accounts for all receivables. We apply judgment in assessing the ultimate realization of our receivables and we estimate an allowance for doubtful accounts based on various factors, such as, the aging of accounts receivable balances, historical experience, and the financial condition of our customers. Based on our analysis of our receivables as of April 30, 2017 and 2016, we determined no allowance for doubtful accounts was necessary.

Inventories – Inventories are recorded at the lower of cost or market (net realizable value) and primarily include raw materials, work-in-process (comprised of raw materials, direct labor and overhead costs associated with in-process manufacturing services), and finished goods (representing manufacturing services completed and ready for shipment) associated with our wholly-owned subsidiary, Avid. Cost is determined by the first-in, first-out method. Inventories consist of the following at April 30,:

	2017	2016
Raw materials	$ 11,304,000	$ 10,911,000
Work-in-process	13,755,000	5,275,000
Finished goods	8,040,000	–
Total inventories	$ 33,099,000	$ 16,186,000

Property and Equipment, net – Property and equipment is recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related asset, generally ranging from three to ten years. Amortization of leasehold improvements is calculated using the straight-line method over the shorter of the estimated useful life of the asset or the remaining lease term.

Concentrations of Credit Risk and Customer Base – Financial instruments that potentially subject us to a significant concentration of credit risk consist of cash and cash equivalents, restricted cash and trade receivables. We maintain our cash and restricted cash balances primarily with one major commercial bank and our deposits held with the bank exceed the amount of government insurance limits provided on our deposits. We are exposed to credit risk in the event of default by the major commercial bank holding our cash and restricted cash balances to the extent of the cash and restricted cash amounts recorded on the accompanying consolidated balance sheet.

Our trade receivables from amounts billed for contract manufacturing services provided by Avid have historically been derived from a small customer base. Most contracts require up-front payments and installment payments during the service period. We perform periodic evaluations of the financial condition of our customers and generally do not require collateral, but we can terminate any contract if a material default occurs. At April 30, 2017 and 2016, approximately 93% and 98%, respectively, of our trade receivables were due from four customers.

In addition, contract manufacturing revenue generated by Avid has historically been derived from a small customer base (Note 10). These customers typically do not enter into long-term contracts because their need for drug supply depends on a variety of factors, including the drug's stage of development, their financial resources, and, with respect to commercial drugs, demand for the drug in the market.

Our future results of operations could be adversely affected if revenue from any one of our primary customers is significantly reduced or eliminated.

Comprehensive Loss – Comprehensive loss is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss is equal to our net loss for all periods presented.

Impairment – Long-lived assets are reviewed for impairment in accordance with authoritative guidance for impairment or disposal of long-lived assets. Long-lived assets are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. Long-lived assets are reported at the lower of carrying amount or fair value less cost to sell. For the fiscal years ended April 30, 2017 and 2016, there was no impairment of the value of our long-lived assets.

Fair Value of Financial Instruments – The carrying amounts in the accompanying consolidated balance sheet for cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term maturities.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance prioritizes the inputs used in measuring fair value into the following hierarchy:

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

As of April 30, 2017 and 2016, we do not have any Level 2 or Level 3 financial assets or liabilities and our cash equivalents, which are primarily invested in money market funds with one major commercial bank, are carried at fair value based on quoted market prices for identical securities (Level 1 input).

Customer Deposits – Customer deposits primarily represents advance billings and/or payments received from Avid's third-party customers prior to the initiation of contract manufacturing services.

Deferred Rent – Rent expense is recorded on a straight-line basis over the initial term of our operating lease agreements and the difference between rent expense and the amounts paid is recorded as a deferred rent liability. Incentives granted under our operating leases, including tenant improvements and landlord-funded lease incentives, are recorded as a deferred rent liability, which is amortized as a reduction to rent expense over the term of the operating lease (Note 3).

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

Revenue arrangements with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the customer or licensing partner. When deliverables are separable, consideration received is allocated among the separate units based on their respective fair values, and the applicable revenue recognition criteria are applied to each of the separate units, which may require the use of significant judgement. Deliverables are considered separate units of accounting if (1) the delivered item(s) has value to the customer on a stand-alone basis and (2) the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in our control.

Arrangement consideration is allocated at the inception of the agreement to all identified units of accounting based on their relative selling price. The relative selling price for each deliverable is determined using vendor specific objective evidence ("VSOE") of selling price or third-party evidence of selling price if VSOE does not exist. If neither VSOE nor third-party evidence of selling price exists, we use our best estimate of the selling price for the deliverable. The amount of allocable arrangement consideration is limited to amounts that are fixed or determinable. The consideration received is allocated among the separate units of accounting, and the applicable revenue recognition criteria are applied to each of the separate units. Changes in the allocation of the sales price between delivered and undelivered elements can impact revenue recognition but do not change the total revenue recognized under any agreement.

On occasion, we receive requests from customers to hold product manufactured by Avid on a "bill-and-hold" basis. Revenue is recognized for these "bill-and-hold" arrangements in accordance with the authoritative guidance, which requires, among other things, the existence of a valid business purpose for the arrangement; the "bill-and-hold" arrangement is at the request of the customer; title and risk of ownership must pass to the customer; the product is complete and ready for shipment; a fixed delivery date that is reasonable and consistent with the customer's business practices; the product has been separated from our inventory; and no further performance obligations by us exist.

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

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

Research and Development Expenses – Research and development expenses primarily include (i) payroll and related costs, including share-based compensation associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing of our technologies under development, (iii) costs to develop and manufacture the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development efforts and have no alternative future uses.

Clinical trial costs are a significant component of our research and development expenses. We have a history of contracting with third parties that perform various clinical trial activities on our behalf in the ongoing development of our product candidates. The financial terms of these contracts are subject to negotiations and may vary from contract to contract and may result in uneven payment flow. Expenses related to clinical trials are accrued based on our estimates and/or representations from third parties (including clinical research organizations) regarding services performed. If the contracted amounts are modified (for instance, as a result of changes in the clinical trial protocol or scope of work to be performed), we modify our accruals accordingly on a prospective basis. Revisions in the scope of a contract are charged to expense in the period in which the facts that give rise to the revision become reasonably certain. There were no material adjustments for a change in estimate to research and development expenses in the accompanying consolidated financial statements in any of the three years ended April 30, 2017.

Under certain research and development agreements, we are obligated to make certain advance payments, including nonrefundable amounts, for goods or services that will be used or rendered for future research and development activities and are deferred and capitalized as prepaid research and development expenses. These advance payments are recognized as an expense in the period the related goods are delivered or the related services are performed. We assess our prepaid research and development expenses for impairment when events or changes in circumstances indicate that the carrying amount of the prepaid expense may not be recoverable or provide future economic benefit.

In addition, under certain in-licensing agreements associated with the research and development of our product candidates, we are obligated to pay certain milestone payments based on potential clinical development and regulatory milestones (Note 4). These milestone payments have no alternative future uses (in other research and development projects or otherwise) and therefore have no separate economic values and are expensed as research and development costs at the time the costs are incurred. We have no in-licensed product candidates that have alternative future uses in research and development projects or otherwise. In addition, we do not perform any research and development activities for any unrelated entities.

Share-based Compensation – We account for stock options and other share-based awards granted under our equity compensation plans in accordance with the authoritative guidance for share-based compensation. The estimated fair value of share-based payments to employees in exchange for services is measured at the grant date, using a fair value based method, such as a Black-Scholes option valuation model, and is recognized as expense on a straight-line basis over the requisite service periods. The fair value of modifications to share-based awards, if any, is generally estimated using a Black-Scholes option valuation model, unless a lattice model is required. Share-based compensation expense recognized during the period is based on the value of the portion of the share-based payment that is ultimately expected to vest during the period and is reduced for estimated forfeitures. The authoritative guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. As of April 30, 2017, there were no outstanding share-based awards with market or performance conditions.

Periodically, we grant stock options and other share-based awards to non-employee consultants, which we account for in accordance with the authoritative guidance for share-based compensation. The cost of non-employee services received in exchange for share-based awards are measured based on either the fair value of the consideration received or the fair value of the share-based award issued, whichever is more reliably measurable. In addition, authoritative guidance requires share-based compensation related to unvested options and awards issued to non-employees to be recalculated at the end of each reporting period based upon the fair market value on that date until the share-based award has vested, and any cumulative catch-up adjustment to share-based compensation resulting from the re-measurement is recognized in the current period (Note 6).

Income Taxes – We utilize the liability method of accounting for income taxes in accordance with authoritative guidance for accounting for income taxes. Under the liability method, deferred taxes are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates. A valuation allowance is provided when it is more likely than not that some portion or the entire deferred tax asset will not be realized (Note 8). In addition, we recognize the impact of an uncertain tax position only when it is more likely than not the tax position will be sustained upon examination by the tax authorities. We are also required to file federal, state and foreign income tax returns in various jurisdictions. The preparation of these returns requires us to interpret the applicable tax laws in effect in such jurisdictions, which could affect the amount paid by us.

Basic and Dilutive Net Loss Per Common Share – Basic net loss per common share is computed by dividing our net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period excluding the dilutive effects of stock options, shares of common stock expected to be issued under our Employee Stock Purchase Plan (the "ESPP"), warrants, and Series E Preferred Stock outstanding during the period. Diluted net loss per common share is computed by dividing our net loss attributable to common stockholders by the sum of the weighted average number of shares of common stock outstanding during the period plus the potential dilutive effects of stock options, shares of common stock expected to be issued under our ESPP, warrants, and Series E Preferred Stock outstanding during the period. Net loss attributable to common stockholders represents our net loss plus Series E Preferred Stock accumulated dividends. Series E Preferred Stock accumulated dividends include dividends declared for the period (regardless of whether or not the dividends have been paid) and dividends accumulated for the period (regardless of whether or not the dividends have been declared).

The potential dilutive effect of stock options, shares of common stock expected to be issued under our ESPP, and warrants outstanding during the period are calculated in accordance with the treasury stock method, but are excluded if their effect is anti-dilutive. The potential dilutive effect of our Series E Preferred Stock outstanding during the period is calculated using the if-converted method assuming the conversion of our Series E Preferred Stock as of the earliest period reported or at the date of issuance, if later, but are excluded if their effect is anti-dilutive. However, because the impact of stock options, shares of common stock expected to be issued under our ESPP, warrants, and Series E Preferred Stock are anti-dilutive during periods of net loss, there was no difference between basic and diluted loss per common share amounts for the three years ended April 30, 2017.

The calculation of weighted average diluted shares outstanding excludes the dilutive effect of the following weighted average outstanding stock options and shares of common stock expected to be issued under our ESPP since their impact are anti-dilutive during periods of net loss:

	2017	2016	2015
Stock options	–	252,098	547,599
ESPP	45,767	37,862	6,714
Total	45,767	289,960	554,313

The calculation of weighted average diluted shares outstanding also excludes the following weighted average outstanding stock options, warrants, and Series E Preferred Stock (assuming the if-converted method), as their exercise prices or conversion price were greater than the average market price of our common stock during the respective periods, resulting in an anti-dilutive effect:

	2017	2016	2015
Stock options	4,156,421	2,740,922	1,210,144
Warrants	39,040	39,040	39,040
Series E Preferred Stock	1,955,588	1,893,122	1,411,362
Total	6,151,049	4,673,084	2,660,546

Subsequent to April 30, 2017 and through June 30, 2017, we sold an aggregate of 1,051,258 shares of our common stock (Note 12), which are not included in the calculation of basic and dilutive net loss per common share for the fiscal year ended April 30, 2017.

Recently Adopted Accounting Pronouncements

For the year ended April 30, 2017, we adopted FASB ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* , which requires us to evaluate whether there are conditions or events that, in the aggregate, raise substantial doubt about our ability to continue as a going concern and to meet our obligations as they become due within one year after the date that the financial statements are issued. We have included the disclosures required by ASU 2014-15 in the " *Going Concern* " section of Note 2 to our consolidated financial statements.

Pending Adoption of Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606): *Revenue from Contracts with Customers* , which, along with subsequent amendments issued in 2015 and 2016, will replace substantially all current US GAAP revenue recognition guidance. ASU 2014-09, as amended, is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09, as amended, is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, which will be our fiscal year 2019 beginning May 1, 2018. The new guidance permits adoption either by using (i) a full retrospective approach for all periods presented in the period of adoption or (ii) a modified retrospective approach where the new standard is applied in the financial statements starting with the year of adoption. Under both approaches, cumulative impact of the adoption is reflected as an adjustment to retained earnings (accumulated deficit) as of the earliest date presented in accordance with the new standard. We are continuing to assess the impact of the new guidance on our accounting policies and procedures and are evaluating the new requirements as applied to existing manufacturing contracts under our contract manufacturing business. Although we are continuing to assess the impact of the new guidance, we have identified our revenue streams and based on our preliminary assessment we believe the most significant impact may relate to the recognition of contract manufacturing revenue over a period of time rather than at a point in time. We plan to adopt ASU 2014-09, as amended, on May 1, 2018 and have not yet determined which transition method will be elected.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): *Simplifying the Measurement of Inventory* . ASU 2015-11 requires that inventory should be measured at the lower of cost and net realizable value for entities that measure inventory using the first-in, first-out method. ASU 2015-11 defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, which will be our fiscal year 2018 beginning May 1, 2017, and interim periods within those fiscal years. We do not expect the adoption of ASU 2015-11 to have a material impact on our consolidated financial statements and related disclosures.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): *Balance Sheet Classification of Deferred Taxes* . Under existing standards, deferred taxes for each tax-paying jurisdiction are presented as a net current asset or liability and net long-term asset or liability. To simplify presentation, the new guidance will require that all deferred tax assets and liabilities, along with related valuation allowances, be classified as long-term on the balance sheet. As a result, each tax-paying jurisdiction will now only have one net long-term deferred tax asset or liability. The new guidance does not change the existing requirement that prohibits offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, which will be our fiscal year 2018 beginning May 1, 2017. Due to the full valuation allowance on our U.S. deferred tax assets, we do not expect the adoption of ASU 2015-17 to have a material impact on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-2 requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. ASU 2016-02 offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, which will be our fiscal year 2020 beginning May 1, 2019. Early adoption is permitted. We are currently in the process of evaluating the impact of adoption of ASU 2016-02 on our consolidated financial statements and related disclosures.

In March 2016, FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): *Improvements to Employee Share-Based Payment Accounting* . ASU 2016-09 changes certain aspects of accounting for share-based payments to employees and involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Specifically, ASU 2016-09 requires that all income tax effects of share-based awards be recognized as income tax expense or benefit in the reporting period in which they occur. Additionally, ASU 2016-09 amends existing guidance to allow forfeitures of share-based awards to be recognized as they occur. Previous guidance required that share-based compensation expense include an estimate of forfeitures. ASU 2016-09 is effective for annual and interim periods beginning after December 15, 2016, which will be our fiscal year beginning May 1, 2017. We do not expect the adoption of ASU 2016-09 to have a material impact on our consolidated financial statements and related disclosures.

In November 2016, FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash* , which addresses diversity in practice related to the classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 will require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, which will be our fiscal year 2019 beginning May 1, 2018. Early adoption is permitted. We are currently evaluating the impact the adoption of ASU 2016-18 will have on our consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): *Scope of Modification Accounting,* which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This pronouncement is effective for annual reporting periods beginning after December 15, 2017, which will be our fiscal year 2019 beginning May 1, 2018. Early adoption is permitted. We do not expect the adoption of ASU 2016-09 to have a material impact on our consolidated financial statements and related disclosures.

3. COMMITMENTS AND CONTINGENCIES

Operating Leases – Our corporate offices, research and development, and manufacturing facilities are all located in close proximity in Tustin, California. We currently lease an aggregate of approximately 196,000 square feet of office, warehouse, research and manufacturing space in six buildings under five separate lease agreements, as summarized in the following table:

Lease #	Original Lease Execution Date	Approximate Square Footage Leased	# of Buildings Occupied	Initial Lease Term Expiration Date	# of Options to Extend Lease	Extended Lease Term Expiration Date [1]
1	December 1998	48,000	2	12/31/27	2	12/31/37
2	May 2010	13,000	1	12/31/17	1	12/31/22
3	July 2014	84,000	1	1/31/27	2	1/31/37
4	April 2016	26,000	1	8/31/23	2	8/31/35
5	April 2016	25,000	1	8/31/23	2	8/31/35

(1) Extended lease term expiration date assumes we execute all available option(s) to extend lease in accordance with the terms of the lease agreement.

The following represents additional information for each of the lease agreements included in the above table:

In December 1998, we entered into our first lease agreement (the "First Lease") with an original lease term of 12 years with two 5-year renewal options and includes scheduled rental increases of approximately 3% every two years. In December 2005, we entered into an amendment to the First Lease that extended the original lease term for seven additional years to expire on December 31, 2017. In November 2016, we entered into a second amendment to the First Lease that extends the lease term through December 31, 2027, while also maintaining our two 5-year renewal options that could extend the lease term to December 31, 2037.

In May 2010, we entered into a second lease agreement (the "Second Lease") to lease additional office and research space. The Second Lease includes a 5-year option to extend the lease to December 31, 2022 and includes annual scheduled rental increases of $0.05 per square foot per year. In addition, a tenant improvement allowance of $125,000 associated with the Second Lease were recorded as leasehold improvements and are being amortized over the shorter of the estimated useful life of the improvements or the remaining life of the Second Lease.

In July 2014, we entered into a third lease agreement (the "Third Lease") to lease approximately 42,000 square feet of vacant warehouse space to expand our manufacturing capacity to support the manufacturing of products in late-stage clinical development to commercial. The Third Lease includes an option to extend the lease term in two 5-year periods to extend the lease to July 31, 2031 and includes scheduled annual rent increases of approximately 3%. In addition, the Third Lease provided for 12.5 months of free rent, lessor improvements of $250,000 and a tenant improvement allowance of $365,000. Upon completion of the manufacturing facility build-out during fiscal year 2016 (the "Myford Facility"), certain of these improvements were classified as leasehold improvements and are being amortized over the shorter of the estimated useful life of the improvements or the remaining life of the Third Lease, as amended.

In February 2017, we entered into a lease amendment to the Third Lease (the "Third Lease Amendment"), pursuant to which we secured approximately 42,000 square feet of additional vacant warehouse space (the "Expansion Space") within the same building as our existing Myford Facility. The purpose of the Expansion Space is to expand our biomanufacturing capacity, which we believe will further support the growth of our contract manufacturing business. Under the Third Lease Amendment, our Myford Facility now encompasses approximately 84,000 square feet. The Third Lease Amendment also extends the initial lease term to January 31, 2027 and maintains our two 5-year renewal options that could extend the lease term to January 31, 2037. Our scheduled annual rent increases of approximately 3% are also maintained under the Third Lease Amendment. In addition, with respect to the Expansion Space, the Third Lease Amendment provides for eight (8) months of free rent and a tenant improvement allowance of $1,269,000, which is subject to certain performance contingencies, as defined in the Third Lease Amendment. As a result, the tenant improvement allowance, is accounted for as contingent rent and will be recorded when the tenant improvement allowance is received. Additionally, under the terms of the Third Lease Amendment, we are required to maintain, as collateral for the lease, a letter of credit in the amount of $550,000 during the entire term of the Third Lease, as amended, which amount is included in restricted cash in the accompanying consolidated balance sheet as of April 30, 2017.

In April 2016, we entered into a fourth lease agreement (the "Fourth Lease") to lease additional office space. The Fourth Lease includes two separate option periods to extend the lease term to August 31, 2035 and includes annual scheduled rent increases of approximately 3%. In addition, the Fourth Lease provided for four months of free rent and a tenant improvement allowance of $562,000. The tenant improvements classified as leasehold improvements are being amortized over the shorter of the estimated useful life of the improvements or the remaining life of the Fourth Lease Additionally, under the terms of the Fourth Lease, we are required to maintain, as collateral for the lease, a letter of credit in the amount of $350,000 during the entire term of the Fourth Lease, which amount is included in restricted cash in the accompanying consolidated balance sheets as of April 30, 2017 and 2016.

In April 2016, we entered into a fifth lease agreement (the "Fifth Lease") to support our manufacturing operations. The Fifth Lease includes two separate option periods to extend the lease term to August 31, 2035 and includes annual scheduled rent increases of approximately 3%. In addition, under the terms of the Fifth Lease, we are required to maintain, as collateral for the lease, a letter of credit in the amount of $250,000 during the entire term of the Fifth Lease, which amount is included in restricted cash in the accompanying consolidated balance sheets as of April 30, 2017 and 2016.

Under each of the aforementioned facility operating leases, we record rent expense on a straight-line basis over the initial term of the lease. The difference between rent expense and the amounts paid under the operating leases is recorded as a deferred rent liability in the accompanying consolidated financial statements. Annual rent expense under the aforementioned facility operating lease agreements totaled $2,180,000, $1,265,000, and $1,197,000 for the fiscal years ended April 30, 2017, 2016, and 2015, respectively.

At April 30, 2017, future minimum lease payments under all non-cancelable operating leases are as follows:

Year ending April 30,:	Minimum Lease Payments
2018	$ 2,741,000
2019	3,054,000
2020	3,037,000
2021	3,116,000
2022	2,789,000
Thereafter	11,362,000
	$ 26,099,000

Legal Proceedings - In the ordinary course of business, we are at times subject to various legal proceedings and disputes. We make provisions for liabilities when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Such provisions are reviewed at least quarterly and adjusted to reflect the impact of any settlement negotiations, judicial and administrative rulings, advice of legal counsel, and other information and events pertaining to a particular case.

On October 10, 2013, a derivative and class action complaint, captioned *Michaeli v. Steven W. King, et al.* , C.A. No. 8994-VCL, was filed in the Court of Chancery of the State of Delaware (the "Court"), purportedly on behalf of the Company, which is named a nominal defendant, against certain of our executive officers and directors (collectively, the "Defendants"). On December 1, 2015, the plaintiffs filed an amended and supplemental derivative and class action complaint (the "Amended Complaint"). The Amended Complaint alleges that the Defendants breached their respective fiduciary duties in connection with certain purportedly improper compensation decisions made by our Board of Directors during the past four fiscal years ended April 30, 2015, including: (i) the grant of a stock option to Mr. King on May 4, 2012; (ii) the non-routine broad-based stock option grant to our directors, executives, all other employees and certain consultants on December 27, 2012; and (iii) the payment, during the past four fiscal years ended April 30, 2015, of compensation to our non-employee directors. In addition, the complaint alleges that our directors breached their fiduciary duty of candor by filing and seeking stockholder action on the basis of an allegedly materially false and misleading proxy statement for our 2013 annual meeting of stockholders. The plaintiffs are seeking, among other things, rescission of a portion of the stock option grant to Mr. King on May 4, 2012 and the stock options granted to the Defendants on December 27, 2012, as well as disgorgement of any excessive compensation paid to our non-employee directors during the four fiscal years ended April 30, 2015 and other monetary relief for our benefit. On May 15, 2017, the parties filed with the Court a Stipulation and Agreement of Compromise, Settlement and Release setting forth the terms of the proposed settlement of the claims in the Amended Complaint. A hearing on the proposed settlement will be held before the Court on July 27, 2017. We do not expect to incur a loss associated with this matter should the Court approve the terms of the proposed settlement.

4. LICENSING AGREEMENTS

The following represents a summary of our key in-licensing agreements covering bavituximab, our lead investigational immunotherapy product in clinical development.

In August 2001 and August 2005, we exclusively in-licensed the worldwide rights to the phosphatidylserine ("PS")-targeting technology platform, including bavituximab, from The University of Texas System, on behalf of The University of Texas Southwestern Medical Center at Dallas ("UTSWMC"). In November 2003, we entered into a non-exclusive license agreement with Genentech, Inc. ("Genentech"), to license certain intellectual property rights covering methods and processes for producing antibodies used in connection with the development of our PS-targeting program. In December 2003, we entered into an exclusive commercial license agreement with Avanir Pharmaceuticals, Inc. ("Avanir") covering the generation of a chimeric monoclonal antibody. In March 2005, we entered into a worldwide non-exclusive license agreement with Lonza Biologics ("Lonza") for intellectual property and materials relating to the expression of recombinant monoclonal antibodies for use in the manufacture of bavituximab.

Under our in-licensing agreements relating to bavituximab, we are obligated to pay future milestone payments based on potential clinical development and regulatory milestones, plus a royalty on net sales and/or a percentage of sublicense income. The applicable royalty rate under each of the foregoing in-licensing agreements is in the low single digits. We did not incur any milestone related expenses during the three fiscal years ended April 30, 2017.

The following table provides certain information with respect to each of our in-licensing agreements relating to our bavituximab program.

Licensor	Agreement Date	Total Milestone Obligations Expensed To Date	Potential Future Milestone Obligations (1)
UTSWMC	August 2001	$ 173,000	$ 300,000
UTSWMC	August 2005	85,000	375,000
Lonza	March 2005	64,000	– (2)
Avanir	December 2003	100,000	1,000,000
Genentech	November 2003	500,000	5,000,000
Total		$ 922,000	$ 6,675,000

(1) Under our current agreements, potential future milestone obligations are due upon achieving certain clinical and regulatory milestones. Based on the current stage of clinical development for bavituximab, future milestone obligations would be due upon submission of a biologics license application in the U.S. and upon FDA approval, which events are currently uncertain and depend on positive clinical trial results. In addition, potential future milestone obligations vary by license agreement (as defined in each license agreement) and certain agreements depend on a valid patent claim, as defined in each of these underlying agreements, at the time the potential milestone is achieved.

(2) In the event we utilize a third-party contract manufacturer other than Lonza to manufacture bavituximab for commercial purposes, we would owe Lonza 300,000 pounds sterling per year.

We do not expect to incur any milestone related expenses regarding our bavituximab program during fiscal year 2018. In addition, of the total potential future milestone obligations of $6,675,000, up to $6,400,000 would be due upon the first commercial approval of bavituximab pursuant to these in-licensing agreements. However, given the uncertainty of the drug development and the regulatory approval process, we are unable to predict with any certainty when any of these future milestones will occur, if at all.

5. STOCKHOLDERS' EQUITY

Stockholder Rights Agreement

On March 16, 2006, our Board of Directors adopted a Stockholder Rights Agreement, which was amended and restated on March 16, 2016 (the "Rights Agreement"), that is designed to strengthen the ability of the Board of Directors to protect the interests of our stockholders against potential abusive or coercive takeover tactics and to enable all stockholders the full and fair value of their investment in the event that an unsolicited attempt is made to acquire Peregrine. The Rights Agreement is not intended to prevent an offer the Board of Directors concludes is in the best interest of Peregrine and its stockholders.

Under the Rights Agreement, the Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each share of our common stock held by stockholders of record as of the close of business on March 27, 2006. Each Right entitles holders of each share of our common stock to buy seven one thousandths (7/1,000th) of a share of Peregrine's Series D Participating Preferred Stock, par value $0.001 per share, at an exercise price of $77.00 per share, subject to adjustment. The Rights are neither exercisable nor traded separately from our common stock. The Rights will become exercisable and will detach from the common shares if a person or group acquires 15% or more of our outstanding common stock, without prior approval from our Board of Directors, or announces a tender or exchange offer that would result in that person or group owning 15% or more of our common stock. Each Right, when exercised, entitles the holder (other than the acquiring person or group) to receive our common stock (or in certain circumstances, voting securities of the acquiring person or group) with a value of twice the Rights' exercise price upon payment of the exercise price of the Rights.

Peregrine will be entitled to redeem the Rights at $0.007 per Right at any time prior to a person or group achieving the 15% threshold. The Rights will expire on March 16, 2021.

Sales of Common Stock and Series E Preferred Stock

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

Sale of Common Stock

During the three fiscal years ended April 30, 2017, we issued shares of our common stock under various financing transactions, as summarized in the following table:

Description of Financing Transaction	Number of Common Stock Shares Issued	Gross Proceeds Raised
Fiscal Year 2015		
At Market Issuance Sales Agreement dated December 27, 2012	569,052	$ 6,204,000
At Market Issuance Sales Agreement dated June 13, 2014	1,383,109	$ 13,544,000
	1,952,161	$ 19,748,000
Fiscal Year 2016		
At Market Issuance Sales Agreement dated June 13, 2014	1,232,821	$ 11,456,000
At Market Issuance Sales Agreement dated August 7, 2015	964,523	$ 7,447,000
Equity Distribution Agreement dated August 7, 2015	1,210,328	$ 6,969,000
Common Stock Purchase Agreement dated October 30, 2015	2,645,503	$ 20,000,000
	6,053,175	$ 45,872,000
Fiscal Year 2017		
At Market Issuance Sales Agreement dated August 7, 2015	6,137,403	$ 18,246,000
Equity Distribution Agreement dated August 7, 2015	3,750,323	$ 13,031,000
	9,887,726	$ 31,277,000

The following represents additional information for each of the financing transactions included in the above table:

December 2012 AMI Sales Agreement – On December 27, 2012, we entered into an At Market Issuance Sales Agreement ("December 2012 AMI Sales Agreement") with MLV & Co. LLC ("MLV"), pursuant to which we were able to sell shares of our common stock through MLV, as agent, for aggregate gross proceeds of up to $75,000,000, in registered transactions from our shelf registration statement on Form S-3 (File No. 333-180028), which was declared effective by the Securities and Exchange Commission ("SEC") on April 12, 2012. Sales of our common stock through MLV were made by any method that was deemed an "at the market offering" as defined in Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"). We paid MLV a commission equal to 2.5% of the gross proceeds from the sale of our common stock pursuant to the December 2012 AMI Sales Agreement. As of April 30, 2015, we had raised the full amount of gross proceeds available to us under the December 2012 AMI Sales Agreement.

June 2014 AMI Sales Agreement – On June 13, 2014, we entered into an At Market Issuance Sales Agreement with MLV, as amended on April 13, 2015 ("June 2014 AMI Sales Agreement"), pursuant to which we were able to sell shares of our common stock through MLV, as agent, for aggregate gross proceeds of up to $25,000,000 in registered transactions from our shelf registration statement on Form S-3 (File No. 333-201245), which was declared effective by the SEC on January 15, 2015 ("January 2015 Shelf"). Sales of our common stock through MLV were made by any method that was deemed an "at the market offering" as defined in Rule 415 of the Securities Act. We paid MLV a commission equal to 2.5% of the gross proceeds from the sale of our common stock pursuant to the June 2014 AMI Sales Agreement. As of April 30, 2016, we had raised the full amount of gross proceeds available to us under the June 2014 AMI Sales Agreement.

August 2015 AMI Sales Agreement – On August 7, 2015, we entered into an At Market Issuance Sales Agreement ("August 2015 AMI Sales Agreement") with MLV, pursuant to which we may sell shares of our common stock through MLV, as agent, for aggregate gross proceeds of up to $30,000,000, in registered transactions from our January 2015 Shelf. Sales of our common stock through MLV may be made by any method that is deemed an "at the market offering" as defined in Rule 415 of the Securities Act. We pay MLV a commission equal to 2.5% of the gross proceeds from the sale of our common stock pursuant to the August 2015 AMI Sales Agreement. As of April 30, 2017, aggregate gross proceeds of up to $4,307,000 remained available to us under the August 2015 AMI Sales Agreement.

Equity Distribution Agreement – On August 7, 2015, we entered into an Equity Distribution Agreement, with Noble International Investments, Inc., doing business as Noble Life Science Partners, a division of Noble Financial Capital Markets ("Noble"), pursuant to which we were able to sell shares of our common stock through Noble, as agent, for aggregate gross proceeds of up to $20,000,000, in registered transactions from our January 2015 Shelf. Sales of our common stock through Noble were made by any method that was deemed an "at the market offering" as defined in Rule 415 of the Securities Act. We paid Noble a commission equal to 2.5% of the gross proceeds from the sale of our common stock pursuant to the Equity Distribution Agreement. As of April 30, 2017, we had raised the full amount of gross proceeds available to us under the Equity Distribution Agreement.

Common Stock Purchase Agreement – On October 30, 2015, we entered into a Common Stock Purchase Agreement with Eastern Capital Limited, pursuant to which we issued and sold 2,645,503 shares of our common stock, at a purchase price of $7.56 per share for aggregate gross proceeds of $20,000,000 before deducting issuance costs of $1,000. These shares of common stock were sold under our January 2015 Shelf pursuant to a prospectus supplement filed with the SEC on October 30, 2015.

Sale of Series E Preferred Stock

During the three fiscal years ended April 30, 2017, we issued shares of our Series E Preferred Stock under an At Market Issuance Sales Agreement, as summarized in the following table:

Description of Financing Transaction	Number of Series E Preferred Stock Shares Issued		Gross Proceeds Raised
Fiscal Year 2015			
At Market Issuance Sales Agreement dated June 13, 2014	799,764	$	19,205,000
Fiscal Year 2016			
At Market Issuance Sales Agreement dated June 13, 2014	2,676	$	60,000
Fiscal Year 2017			
At Market Issuance Sales Agreement dated June 13, 2014	70,320	$	1,634,000

The following represents additional information for the At Market Issuance Sales Agreement included in the above table:

On June 13, 2014, we entered into an At Market Issuance Sales Agreement ("Series E AMI Sales Agreement") with MLV, pursuant to which we were able to sell shares of our Series E Preferred Stock through MLV, as agent, for aggregate gross proceeds of up to $30,000,000, in registered transactions from our shelf registration statement on Form S-3 (File No. 333-193113), which was declared effective by the SEC on January 16, 2014 ("January 2014 Shelf"). Sales of our Series E Preferred Stock through MLV were be made by any method that was deemed an "at the market offering" as defined in Rule 415 of the Securities Act. We paid MLV a commission of up to 5% of the gross proceeds from the sale of our Series E Preferred Stock pursuant to the Series E AMI Sales Agreement. During January 2017, the underlying January 2014 Shelf expired, and therefore, we do not plan to issue and sell any additional shares of our Series E Preferred Stock under the Series E AMI Sales Agreement.

Series E Preferred Stock Rights and Preferences

On February 12, 2014, we filed with the Secretary of State of the State of Delaware a Certificate of Designations of Rights and Preferences (the "Certificate of Designations") to designate the Series E Preferred Stock. The Certificate of Designations designated 2,000,000 shares of Series E Preferred Stock out of our 5,000,000 shares of authorized but unissued shares of preferred stock. In addition, the Series E Preferred Stock is classified as permanent equity in accordance with FASB Accounting Standards Codification Topic 480, *Distinguishing Liabilities from Equity* . Certain terms of the Series E Preferred Stock include:

(i) The holders are entitled to receive a 10.50% per annum cumulative quarterly dividend, payable in cash, on or about the 1 st day of each of January, April, July, and October;

(ii) The dividend may increase to a penalty rate of 12.50% if: (a) we fail to pay dividends for any four consecutive or nonconsecutive quarterly dividend periods, or (b) once the Series E Preferred Stock becomes initially eligible for listing on a national securities exchange, we fail, for 180 or more consecutive days, to maintain such listing;

(iii) Following a change of control of the Company (as defined in the Certificate of Designations) by a person or entity, we (or the acquiring entity) may, at our option, redeem the Series E Preferred Stock, in whole but not in part, within 120 days after the date on which the change of control has occurred for cash, at the redemption price;

(iv) On and after February 11, 2017, we may redeem the Series E Preferred Stock for cash at our option, from time to time, in whole or in part, at the redemption price;

(v) The redemption price is $25.00 per share, plus any accrued and unpaid dividends (whether or not earned or declared) to, but excluding, the redemption date;

(vi) The liquidation preference is $25.00 per share, plus any accrued and unpaid dividends (whether or not earned or declared);

(vii) The Series E Preferred Stock has no stated maturity date or mandatory redemption and is senior to all of the Company's other securities;

(viii) There is a general conversion right with respect to the Series E Preferred Stock with a current conversion price of $21.00 (as adjusted to reflect the 1-for-7 reverse stock split of our issued and outstanding common stock, which took effect on July 10, 2017), a special conversion right upon a change of control, and a market trigger conversion at our option in the event of Market Trigger (as defined in the Certificate of Designations); and

(ix) The holders of the Series E Preferred Stock have no voting rights, except as defined in the Certificate of Designations.

Series E Preferred Stock Dividends

The following table summarizes the Series E Preferred Stock quarterly dividend payments during the three fiscal years ended April 30, 2017:

Declaration Date	Record Date	Payment Date	Dividends Paid	Dividend Per Share
Fiscal Year 2015				
6/10/2014	6/20/2014	7/1/2014	$ 771,000	$ 0.65625
9/8/2014	9/19/2014	10/1/2014	$ 773,000	$ 0.65625
12/9/2014	12/19/2014	1/2/2015	$ 774,000	$ 0.65625
3/10/2015	3/20/2015	4/1/2015	$ 1,034,000	$ 0.65625
			$ 3,352,000	$ 2.62500
Fiscal Year 2016				
6/5/2015	6/19/2015	7/1/2015	$ 1,034,000	$ 0.65625
9/8/2015	9/18/2015	10/1/2015	$ 1,035,000	$ 0.65625
12/7/2015	12/18/2015	1/4/2016	$ 1,035,000	$ 0.65625
3/7/2016	3/18/2016	4/1/2016	$ 1,035,000	$ 0.65625
			$ 4,139,000	$ 2.62500
Fiscal Year 2017				
6/2/2016	6/17/2016	7/1/2016	$ 1,036,000	$ 0.65625
9/6/2016	9/16/2016	10/3/2016	$ 1,081,000	$ 0.65625
12/6/2016	12/16/2016	1/3/2017	$ 1,081,000	$ 0.65625
3/9/2017	3/20/2017	4/3/2017	$ 1,081,000	$ 0.65625
			$ 4,279,000	$ 2.62500

Shares of Common Stock Authorized and Reserved For Future Issuance

We are authorized to issue up to 500,000,000 shares of our common stock. As of April 30, 2017, 44,014,040 shares of our common stock were issued and outstanding. In addition, our common stock outstanding as of April 30, 2017 excluded the following shares of common stock reserved for future issuance:

- 5,630,872 shares of common stock reserved for issuance under outstanding option grants and available for issuance under our stock incentive plans;
- 1,359,736 shares of common stock reserved for and available for issuance under our ESPP;
- 39,040 shares of common stock issuable upon exercise of outstanding warrants; and
- 6,826,435 shares of common stock issuable upon conversion of our outstanding Series E Preferred Stock (1) .

(1) The Series E Preferred Stock is convertible into a number of shares of our common stock determined by dividing the liquidation preference of $25.00 per share by the conversion price, currently $21.00 per share. If all of our outstanding Series E Preferred Stock were converted at the $21.00 per share conversion price, the holders of our Series E Preferred Stock would receive an aggregate of 1,961,619 shares of our common stock. However, we have reserved the maximum number of shares of our common stock that could be issued upon a change of control event assuming our shares of common stock are acquired for consideration of $5.985 per share or less. In this scenario, each outstanding share of our Series E Preferred Stock could be converted into 4.18 shares of our common stock, representing the Share Cap.

6. EQUITY COMPENSATION PLANS

Stock Incentive Plans

We currently maintain six stock incentive plans referred to as the 2011 Plan, the 2010 Plan, the 2009 Plan, the 2005 Plan, the 2003 Plan, and the 2002 Plan (collectively referred to as the "Stock Plans"). The 2011, 2010, 2009, 2005 and 2003 Plans were approved by our stockholders while the 2002 Plan was not submitted for stockholder approval. The Stock Plans provide for the granting of stock options, restricted stock awards and other forms of share-based awards to purchase shares of our common stock at exercise prices not less than the fair market value of our common stock at the date of grant.

As of April 30, 2017, we had an aggregate of 5,630,872 shares of our common stock reserved for issuance under the Stock Plans, of which, 4,081,548 shares were subject to outstanding options and 1,549,324 shares were available for future grants of share-based awards.

Stock Options – Stock options granted under our Stock Plans are granted at an exercise price not less than the fair market value of our common stock on the date of grant. The options generally vest over a two to four year period and expire ten years from the date of grant, if unexercised. However, certain option awards provide for accelerated vesting if there is a change in control (as defined in the Stock Plans).

The estimated fair value of stock options are measured at the grant date, using a fair value based method, such as a Black-Scholes option valuation model, and is amortized as compensation expense on a straight-line basis over the requisite service period of the award, which is generally the vesting period. The use of a valuation model requires us to make certain estimates and assumptions with respect to selected model inputs. The expected volatility is based on the daily historical volatility of our common stock covering the estimated expected term. The expected term of options granted reflects actual historical exercise activity and assumptions regarding future exercise activity of unexercised, outstanding options. The risk-free interest rate is based on U.S. Treasury notes with terms within the contractual life of the option at the time of grant. The expected dividend yield assumption is based on our expectation of future dividend payouts. We have never declared or paid any cash dividends on our common stock and currently do not anticipate paying such cash dividends. The fair value of stock options on the date of grant and the weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes option valuation model for fiscal years ended April 30, 2017, 2016 and 2015, were as follows:

	Fiscal Year Ended April 30,		
	2017	**2016**	**2015**
Risk-free interest rate	1.32%	1.66%	1.95%
Expected life (in years)	6.12	5.96	5.74
Expected volatility	111.30%	104.74%	111.78%
Expected dividend yield	–	–	–

The following summarizes our stock option transaction activity for fiscal year ended April 30, 2017:

Stock Options	**Shares**		**Weighted Average Exercisable Price**	**Weighted Average Remaining Contractual Term (years)**		**Aggregate Intrinsic Value [1]**
Outstanding, May 1, 2016	3,393,037	$	10.37			
Granted	1,009,085	$	3.42			
Exercised	(9,026)	$	3.44			
Canceled or expired	(311,548)	$	9.06			
Outstanding, April 30, 2017	4,081,548	$	8.77	6.36	$	1,267,665
Exercisable and expected to vest	4,067,608	$	8.78	6.35	$	1,252,814
Exercisable, April 30, 2017	3,343,699	$	9.74	5.82	$	687,283

(1) Aggregate intrinsic value represents the difference between the exercise price of an option and the closing market price of our common stock on April 28, 2017 (the last trading day of fiscal year 2017), which was $4.31 per share.

The weighted-average grant date fair value of options granted to employees during the fiscal years ended April 30, 2017, 2016 and 2015 was $2.86, $7.09 and $9.99 per share, respectively.

The aggregate intrinsic value of stock options exercised during the fiscal years ended April 30, 2017, 2016 and 2015 was $11,000, $93,000 and $192,000, respectively. Cash received from stock options exercised during fiscal years ended April 30, 2017, 2016 and 2015, totaled $31,000, $138,000 and $298,000, respectively, net of issuance costs of nil, $1,000 and $3,000, respectively.

We issue shares of common stock that are reserved for issuance under the Stock Plans upon the exercise of stock options, and we do not expect to repurchase shares of common stock from any source to satisfy our obligations under our compensation plans.

As of April 30, 2017, the total estimated unrecognized compensation cost related to non-vested employee stock options was $2,215,000. This cost is expected to be recognized over a weighted average vesting period of 1.43 years based on current assumptions.

Employee Stock Purchase Plan

We have reserved a total of 2,142,857 shares of our common stock to be purchased under our Employee Stock Purchase Plan (the "ESPP"), of which 1,359,736 shares remained available to purchase at April 30, 2017, and are subject to adjustment as provided in the ESPP for stock splits, stock dividends, recapitalizations and other similar events. Under the ESPP, we sell shares to participants at a price equal to the lesser of 85% of the fair market value of our common stock at the (i) beginning of a six-month offering period, or (ii) end of the six-month offering period. The ESPP provides for two six-month offering periods each fiscal year; the first offering period begins on the first trading day on or after each May 1; the second offering period begins on the first trading day on or after each November 1. During the fiscal years ended April 30, 2017, 2016 and 2015, 270,075, 147,769 and 71,063 shares of our common stock were purchased, respectively, under the ESPP at a weighted average purchase price per share of $1.95, $3.65 and $8.56, respectively.

The fair value of the shares purchased under the ESPP were determined using a Black-Scholes option pricing model (see explanation of valuation model inputs above under "Stock Options"), and is recognized as expense on a straight-line basis over the requisite service period (or six-month offering period). The weighted average grant date fair value of purchase rights under the ESPP during fiscal years ended April 30, 2017, 2016 and 2015 was $1.07, $2.40 and $3.91, respectively, based on the following Black-Scholes option valuation model inputs:

	Fiscal Year Ended April 30,		
	2017	**2016**	**2015**
Risk-free interest rate	0.46%	0.18%	0.06%
Expected life (in years)	0.50	0.50	0.50
Expected volatility	105.27%	46.14%	63.54%
Expected dividend yield	–	–	–

Share-based Compensation Expense

Total share-based compensation expense related to share-based awards issued under our equity compensation plans for the fiscal years ended April 30, 2017, 2016 and 2015 was comprised of the following:

	2017	2016	2015
Cost of contract manufacturing	$ 108,000	$ 41,000	$ 59,000
Research and development	1,615,000	2,124,000	2,904,000
Selling, general and administrative	1,640,000	2,733,000	3,739,000
Total	$ 3,363,000	$ 4,898,000	$ 6,702,000
Share-based compensation from:			
Stock options	$ 3,094,000	$ 4,720,000	$ 6,465,000
ESPP	269,000	178,000	237,000
	$ 3,363,000	$ 4,898,000	$ 6,702,000

Share-based compensation expense recorded during fiscal years ended April 30, 2017, 2016 and 2015 associated with share-based awards granted to non-employees amounted to $20,000, $109,000 and $289,000, respectively. As of April 30, 2017, the total estimated unrecognized compensation cost related to non-vested stock options granted to non-employees was $13,000 based on an April 30, 2017 measurement date. This cost is expected to be recognized over a weighted average vesting period of 1.10 years.

Due to our net loss position, no tax benefits have been recognized in the consolidated statements of cash flows.

7. WARRANTS

No warrants were issued or exercised during fiscal years ended April 30, 2017, 2016 and 2015. As of April 30, 2017, warrants to purchase 39,040 shares of our common stock at an exercise price of $17.29 were outstanding and are exercisable through August 30, 2018.

8. INCOME TAXES

We are primarily subject to U.S. federal and California state jurisdictions. To our knowledge, all tax years remain open to examination by U.S. federal and state authorities.

In addition, in accordance with authoritative guidance, we are required to recognize the impact of an uncertain tax position in the consolidated financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. An uncertain tax position will not be recognized if it has less than a 50% likelihood of being sustained upon examination by the tax authorities. We had no unrecognized tax benefits from uncertain tax positions as of April 30, 2017 and 2016. It is also our policy, in accordance with authoritative guidance, to recognize interest and penalties related to income tax matters in interest and other expense in our consolidated statements of operations and comprehensive loss. We did not recognize interest or penalties related to income taxes for fiscal years ended April 30, 2017, 2016, and 2015, and we did not accrue for interest or penalties as of April 30, 2017 and 2016.

At April 30, 2017, we had net deferred tax assets of $178,400,000. Due to uncertainties surrounding our ability to generate future taxable income to realize these tax assets, a full valuation has been established to offset our net deferred tax assets. Additionally, the future utilization of our net operating loss carry forwards to offset future taxable income may be subject to an annual limitation, pursuant to Internal Revenue Code Section 382, as a result of ownership changes that may have occurred previously or that could occur in the future. A Section 382 analysis was completed as of the fiscal year ended April 30, 2017 and it was determined that no change in ownership had occurred. Ownership changes occurring subsequent to April 30, 2017 may impact the utilization of net operating loss carry forwards and other tax attributes.

At April 30, 2017, we had federal net operating loss carry forwards of approximately $391,878,000. The net operating loss carry forwards expire in fiscal years 2019 through 2037. We also have California state net operating loss carry forwards of approximately $263,812,000 at April 30, 2017, which begin to expire in fiscal year 2018. In addition, we have approximately $5,956,000 of net operating loss attributable to excess tax deductions on share-based compensation that when utilized, if any, the tax benefit will be booked to additional paid-in-capital.

The provision for income taxes consists of the following for the three years ended April 30,:

	2017	2016	2015
Federal income taxes at statutory rate	$ (9,573,000)	$ (18,921,000)	$ (17,122,000)
State income taxes	(2,264,000)	(4,824,000)	(4,450,000)
Expiration and adjustments of deferred tax assets	1,693,000	1,580,000	1,790,000
Change in valuation allowance	10,005,000	21,871,000	19,532,000
Other, net	139,000	294,000	250,000
Income tax (expense) benefit	$ –	$ –	$ –

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of our deferred tax assets and deferred tax liabilities at April 30, 2017 and 2016 are as follows:

	2017	2016
Share-based compensation	$ 9,583,000	$ 8,806,000
Deferred revenue	12,157,000	4,296,000
Deferred rent	738,000	470,000
Other	2,984,000	2,486,000
Net operating losses	154,030,000	152,746,000
Total deferred tax assets	179,492,000	168,804,000
Less valuation allowance	(178,400,000)	(168,395,000)
Total deferred tax assets, net of valuation allowance	$ 1,092,000	$ 409,000
Deferred tax liabilities:		
Fixed assets	(1,092,000)	(409,000)
Total deferred tax liabilities	(1,092,000)	(409,000)
Net deferred tax assets	$ –	$ –

9. BENEFIT PLAN

During fiscal year 1997, we adopted a 401(k) benefit plan (the "Plan") for all full-time employees who are at least the age of 21 and have three or more months of continuous service. The Plan provides for employee contributions of up to 100% of their compensation on a tax deferred basis up to the maximum amount permitted by the Internal Revenue Code. We are not required to make matching contributions under the Plan, and prior to January 2010, we did not make any matching contributions from the Plan's inception. Presently, we have voluntarily agreed to match, depending on an employee's years of continuous service, between 50% and 100% of an employee's contributions up to 6% of their annual eligible compensation, subject to certain IRS limitations.

Under the Plan, each participating employee is fully vested in his or her contributions to the Plan and our contributions to the Plan will fully vest after six years of service. The expense related to our matching contributions to the Plan was $845,000, $543,000, and $454,000 for the fiscal years ended April 30, 2017, 2016, and 2015, respectively.

10. SEGMENT REPORTING

Our business is organized into two reportable operating segments and both operate in the U.S. Peregrine is engaged in the research and development of monoclonal antibodies for the treatment of cancer. Avid is engaged in providing contract manufacturing services for third-party customers on a fee-for-service basis while also supporting our internal drug development efforts.

The accounting policies of the operating segments are the same as those described in Note 2. We evaluate the performance of our contract manufacturing services segment based on gross profit or loss from third-party customers. However, our products in the research and development segment are not evaluated based on gross profit or loss, but rather based on scientific progress of the technologies. As such, gross profit or loss is only provided for our contract manufacturing services segment in the below table. All revenues shown below are derived from transactions with third-party customers.

Segment information for the fiscal years ended April 30, 2017, 2016 and 2015 is summarized as follows:

	2017	2016	2015
Contract manufacturing services revenue	$ 57,630,000	$ 44,357,000	$ 26,744,000
Cost of contract manufacturing services	38,259,000	22,966,000	15,593,000
Gross profit	$ 19,371,000	$ 21,391,000	$ 11,151,000
Revenue from products in research and development	$ –	$ 329,000	$ 37,000
Research and development expense	(28,297,000)	(59,529,000)	(42,996,000)
Selling, general and administrative expense	(19,334,000)	(18,551,000)	(18,691,000)
Other income (expense), net	101,000	708,000	141,000
Net loss	$ (28,159,000)	$ (55,652,000)	$ (50,358,000)

Revenue generated from our contract manufacturing services segment during fiscal years ended April 30, 2017, 2016 and 2015 was derived from a limited number of customers. The percentages below represent revenue derived from each customer (and geographical location) as a percentage of total contract manufacturing services revenue:

Customer	Geographic Location	2017	2016	2015
Halozyme Therapeutics, Inc.	U.S.	58%	69%	79%
Customer A	U.S.	26	26	12
Customer B	U.S.	14	–	–
Other customers	U.S./non-U.S.	2	5	9
Total		100%	100%	100%

In addition, we attribute contract manufacturing services revenue to the individual countries where the customer is headquartered. Contract manufacturing services revenue from customers are summarized by geographic location in the following table:

	2017	2016	2015
U.S.	$ 57,630,000	$ 44,357,000	$ 26,715,000
Non-U.S.	–	–	29,000
Total	$ 57,630,000	$ 44,357,000	$ 26,744,000

Revenue generated from our products in our research and development segment during fiscal years ended April 30, 2016 and 2015 were directly related to license revenue recognized under licensing agreements with unrelated entities.

Our long-lived assets are located in the U.S. and consist of leasehold improvements, laboratory equipment, furniture and fixtures, office equipment and software and are net of accumulated depreciation. Long-lived assets by segment as of April 30, 2017 and 2016 consist of the following:

	2017	2016
Long-lived Assets, net:		
Contract manufacturing services	$ 22,599,000	$ 22,783,000
Products in research and development	1,074,000	1,519,000
Total	$ 23,673,000	$ 24,302,000

11. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial information for each of the two most recent fiscal years is as follows:

	Quarter Ended							
	April 30, 2017	January 31, 2017	October 31, 2016	July 31, 2016	April 30, 2016	January 31, 2016	October 31, 2015	July 31, 2015
Net revenues	$ 17,904,000	$ 10,747,000	$ 23,370,000	$ 5,609,000	$ 18,783,000	$ 6,709,000	$ 9,523,000	$ 9,671,000
Gross profit (a)	$ 6,122,000	$ 2,773,000	$ 7,929,000	$ 2,547,000	$ 9,062,000	$ 2,776,000	$ 4,782,000	$ 4,771,000
Loss from operations	$ (5,304,000)	$ (7,797,000)	$ (4,077,000)	$ (11,082,000)	$ (11,915,000)	$ (16,867,000)	$ (13,824,000)	$ (13,754,000)
Net loss	$ (5,272,000)	$ (7,774,000)	$ (4,056,000)	$ (11,057,000)	$ (11,884,000)	$ (16,847,000)	$ (13,198,000)	$ (13,723,000)
Series E preferred stock accumulated dividends (b)	$ (1,442,000)	$ (1,442,000)	$ (1,442,000)	$ (1,380,000)	$ (1,380,000)	$ (1,380,000)	$ (1,380,000)	$ (1,378,000)
Net loss attributable to common stockholders	$ (6,714,000)	$ (9,216,000)	$ (5,498,000)	$ (12,437,000)	$ (13,264,000)	$ (18,227,000)	$ (14,578,000)	$ (15,101,000)
Basic and diluted loss per common share	$ (0.16)	$ (0.25)	$ (0.16)	$ (0.36)	$ (0.40)	$ (0.56)	$ (0.50)	$ (0.54)

(a) Gross profit represents contract manufacturing revenue less cost of contract manufacturing.
(b) Series E preferred stock accumulated dividends include dividends declared for the period (regardless of whether or not the dividends have been paid) and dividends accumulated for the period (regardless of whether or not the dividends have been declared).

12. SUBSEQUENT EVENTS

Sale of Common Stock

August 2015 AMI Sales Agreement - Subsequent to April 30, 2017 and through June 30, 2017, we sold 1,051,258 shares of common stock at market prices under the August 2015 AMI Sales Agreement (Note 5) for aggregate gross proceeds of $4,304,000. As of June 30, 2017, we had raised the full amount of the gross proceeds available to us under the August 2015 AMI Sales Agreement.

Series E Preferred Stock Dividend

On June 6, 2017, our Board of Directors declared a quarterly cash dividend of $0.65625 per share on our Series E Preferred Stock. The dividend payment is equivalent to an annualized 10.50% per share, based on the $25.00 per share stated liquidation preference, accruing from April 1, 2017 through June 30, 2017. The cash dividend of $1,081,000 was paid on July 3, 2017 to holders of the Series E Preferred Stock of record on June 19, 2017.

Reverse Stock Split

On July 7, 2017, we effected a reverse stock split of our outstanding shares of common stock at a ratio of one-for-seven, which took effect with the opening of trading on July 10, 2017. The primary purpose of the reverse stock split, which was approved by our stockholders at our 2016 Annual Meeting on October 13, 2016, was to enable us to regain compliance with the $1.00 minimum bid price requirement for continued listing on The NASDAQ Capital Market. All fractional shares created by the reverse stock split were rounded up to the nearest whole share. In addition, all share and per share amounts in the accompanying consolidated financial statements have been adjusted to give effect to the one-for-seven reverse stock split, retrospectively (Note 1).

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PEREGRINE PHARMACEUTICALS, INC.,
A DELAWARE CORPORATION

PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at an annual meeting. The resolutions setting forth the proposed amendment is as follows:

"RESOLVED, that ARTICLE 4 of the Certificate of Incorporation be amended by adding the following paragraph at the end thereof:

> "Effective as of 5:00 p.m., Eastern time, on July 7, 2017 (the "Effective Time"), every seven (7) outstanding shares of Common Stock, par value $0.001, of the Corporation issued and outstanding or held in the treasury of the Corporation will automatically be combined, reclassified and changed into one (1) fully paid and non-assessable share of Common Stock, par value $0.001, without any further action by the holders of such shares; provided, however, that if such reclassification results in any stockholder being entitled to fractional shares that when aggregated equal less than a whole share of Common Stock such fractional shares shall be reclassified and converted from and after the Effective Time into one whole share of Common Stock in lieu of such fractional shares. No other exchange, reclassification or cancellation of issued shares shall be effected by this amendment."

2. That thereafter, pursuant to resolution of the Board of Directors, an Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which Annual Meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Steven W. King, its President & CEO, this 5th day of July, 2017.

PEREGRINE PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/Steven W. King
Steven W. King, President & CEO

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PEREGRINE PHARMACEUTICALS, INC.,
A DELAWARE CORPORATION

PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at a special meeting. The resolutions setting forth the proposed amendment is as follows:

"RESOLVED, that the Certificate of Incorporation be amended by changing the first sentence of ARTICLE 4 so that it shall read as follows:

> "The total number of shares of all classes of stock which the Corporation shall have authority to issue is 505,000,000, of which (i) 500,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share."

2. That thereafter, pursuant to resolution of the Board of Directors, an Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which Annual Meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Steven W. King, its President & CEO, and attested to by Mark R. Ziebell, its Secretary, this 15th day of October, 2015.

PEREGRINE PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ Steven W. King
Steven W. King, President & CEO

ATTEST:

/s/ Mark R. Ziebell
Mark R. Ziebell, Secretary

PEREGRINE PHARMACEUTICALS INC.

CERTIFICATE OF DESIGNATIONS OF RIGHTS AND PREFERENCES

10.50% SERIES E CONVERTIBLE PREFERRED STOCK

(Pursuant to Section 151 of the General Corporation Law of the State of Delaware)

The undersigned President and Chief Executive Officer of PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation (the " Corporation "), hereby certifies that pursuant to authority granted to and vested in the Board of Directors of the corporation by the provisions of the Certificate of Incorporation and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, its Board of Directors has duly adopted the following resolutions creating the 10.50% Series E Convertible Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by the Corporation's Certificate of Incorporation, a series of preferred stock of the Corporation be, and it hereby is, created out of the 5,000,000 shares of authorized but unissued shares of the preferred stock, par value $0.001 per share, of the Corporation, such series to be designated 10.50 **%** Series E Convertible Preferred Stock, to consist of 2,000,000 shares, par value $0.001 per share, of which the rights, preferences and privileges, and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth in the Corporation's Certificate of Incorporation) as follows:

Section 1. Number of Shares and Designation . This series of Preferred Stock shall be designated as 10.50 **%** Series E Convertible Preferred Stock, par value $0.001 per share (the " Series E Preferred Shares "), and the number of shares that shall constitute such series shall be 2,000,000.

Section 2. Definitions . For purposes of the Series E Preferred Shares and as used in this Certificate, the following terms shall have the meanings indicated:

" Board of Directors " shall mean the Board of Directors of the Corporation or any committee of members of the Board of Directors authorized by such Board of Directors to perform any of its responsibilities with respect to the Series E Preferred Shares.

" Business Day " shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

" Call Date " shall mean the date fixed for redemption of the Series E Preferred Shares and specified in the notice to holders required under paragraph (e) of Section 5 as the Call Date.

" Certificate " shall mean this Certificate of Designations of Rights and Preferences of the Series E Preferred Shares.

A " Change of Control " shall be deemed to have occurred on the date (i) that a "person," "group" or "entity" (within the meaning of Sections 13(d) and 14(d) of the Exchange Act) becomes the ultimate "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have beneficial ownership of all shares of Voting Stock that such person or group has the right to acquire regardless of when such right is first exercisable), directly or indirectly, of Voting Stock representing more than 50% of the total voting power of the total Voting Stock of the Corporation; (ii) that the Corporation sells, transfers or otherwise disposes of all or substantially all of its assets; or (iii) of the consummation of a merger or share exchange of the Corporation with another entity where the Corporation's stockholders immediately prior to the merger or share exchange would not beneficially own, immediately after the merger or share exchange, securities representing 50% or more of the outstanding Voting Stock of the entity issuing cash or securities in the merger or share exchange (without consideration of the rights of any class of stock to elect directors by a separate group vote), or where members of the Board of Directors immediately prior to the merger or share exchange would not, immediately after the merger or share exchange, constitute a majority of the board of directors of the entity issuing cash or securities in the merger or share exchange.

" Common Shares " shall mean the shares of Common Stock, par value $0.001 per share, of the Corporation.

" Common Stock Price " is (i) if the consideration to be received in the Change of Control by the holders of Common Shares is solely cash, the amount of cash consideration per Common Share or (ii) if the consideration to be received in the Change of Control by holders of Common Shares is other than solely cash (x) the average of the closing sale prices per Common Share (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on a National Market Listing for our Common Shares, or (y) the average of the last quoted bid prices for Common Shares in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred, if the Common Shares are not then listed for trading on a National Market Listing.

" Dividend Default " shall have the meaning set forth in paragraph (b) of Section 3.

" Dividend Payment Date " shall have the meaning set forth in paragraph (a) of Section 3.

" Dividend Rate " shall mean the dividend rate accruing on the Series E Preferred Shares, as applicable from time to time pursuant to the terms hereof.

" Dividend Record Date " shall have the meaning set forth in paragraph (a) of Section 3.

" EBITDA " means the sum of net income, plus interest expense, plus tax expense, plus depreciation expense, plus amortization expense, each as determined in accordance with GAAP.

" Exchange Act " shall mean the Securities Exchange Act of 1934, as amended.

" GAAP " means generally accepted accounting principles in the United States of America.

" Indebtedness **"** o f any Person shall mean, without duplication (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, other than "capital leases" in accordance with GAAP and trade payables entered into in the ordinary course of business, (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), and (vi) all monetary obligations under any leasing or similar arrangement, not classified as a capital lease in accordance with GAAP; provided, however, that in no event shall capital leases or loans incurred to purchase capital equipment be considered Indebtedness.

" Junior Shares " shall have the meaning set forth in paragraph (c) of Section 7.

" Listing Default " shall have the meaning set forth in paragraph (c) of Section 3.

" Liquidation Amount " shall mean $25.00 per Series E Preferred Share (as adjusted for any stock split, stock dividend, recapitalization, reclassification or any similar transaction).

" Market Value " of a given security shall mean the average of the daily Trading Price per share of such security for the ten consecutive Trading Days immediately prior to the date in question.

" National Market Listing " shall mean the listing or quotation, as applicable, of securities on the New York Stock Exchange, the NYSE MKT LLC, The NASDAQ Global Market, The NASDAQ Global Select Market or The NASDAQ Capital Market (each, a " NASDAQ Stock Market "), or the listing or quotation, as applicable, of securities on an exchange or quotation system that is a successor to the New York Stock Exchange, the NYSE MKT LLC or a NASDAQ Stock Market.

" Quarterly Dividend Period " shall mean quarterly dividend periods commencing on January 1, April 1, July 1, and October 1 of each year and ending on and including the day preceding the next succeeding Quarterly Dividend Period; provided, however, that any Quarterly Dividend Period during which any Series E Preferred Shares shall be redeemed pursuant to Section 5 shall end on and include the Call Date only with respect to the Series E Preferred Shares being redeemed.

A " Quarterly Dividend Default " shall occur if the Corporation fails to pay cash dividends on the Series E Preferred Shares in full for any Quarterly Dividend Period, provided that only four Quarterly Dividend Defaults may occur during any calendar year.

" Parity Shares " shall have the meaning set forth in paragraph (b) of Section 7.

" Penalty Rate " shall mean 12.50% per annum.

" Person " shall mean any individual, firm, partnership, limited liability company, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

" SEC " shall have the meaning set forth in Section 9.

" Senior Shares " shall have the meaning set forth in paragraph (a) of Section 7.

" Series E Change of Control Conversion Date " is the date the Series E Preferred Shares are to be converted, which will be a Business Day selected by the Corporation that is no fewer than 20 days nor more than 35 days after the date on which it provides the notice of the related Change of Control described in Section 6(b) to the holders of Series E Preferred Shares.

" Series E Conversion Price " shall mean $3.00 per share.

" Series E Preferred Shares " shall have the meaning set forth in Section 1.

" set apart for payment " shall be deemed to include, without any further action, the following: the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry that indicates, pursuant to an authorization by the Board of Directors and a declaration of dividends or other distribution by the Corporation, the initial and continued allocation of funds to be so paid on any series or class of shares of stock of the Corporation; provided, however, that if any funds for any class or series of Junior Shares or any class or series of Parity Shares are placed in a separate account of the Corporation or delivered to a disbursing, paying or other similar agent, then "set apart for payment" with respect to the Series E Preferred Shares shall mean irrevocably placing such funds in a separate account or irrevocably delivering such funds to a disbursing, paying or other similar agent.

" Stated Rate " shall mean 10.50% per annum.

" Trading Day " shall mean, if a security is listed or admitted to trading on a NASDAQ Stock Market, the New York Stock Exchange, the NYSE MKT LLC or another national securities exchange or national securities market, a full day on which the NASDAQ Stock Market or such other national securities exchange or national securities market on which the security is traded is open for business and on which trades may be made thereon.

" Trading Price " of a security on any Trading Day (excluding any after-hours trading as of such date) shall mean:

(a) the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and ask prices, regular way, in either case as reported by the principal consolidated transaction reporting system with respect to securities listed or admitted to trading or quoted on the NASDAQ Capital Market, or if such security is not listed or admitted to trading or quoted on the NASDAQ Capital Market, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange or national securities market on or in which such security is listed or admitted to trading;

(b) if such security is not listed on, admitted to trading or quoted on the NASDAQ Capital Market or a national securities exchange or national securities market on that date, the last price quoted by Interactive Data Corporation for that security on the date, or if Interactive Data Corporation is not quoting such price, a similar quotation service selected by the Corporation;

(c) if such security is not so quoted, the average mid-point of the last bid and ask prices for such security on that date from at least two dealers recognized as market-makers for such security selected by the Corporation for this purpose; or

(d) if such security is not so quoted, the average of the last bid and ask prices for such security on that date from a dealer engaged in the trading of such securities selected by the Corporation for such purpose.

" Transfer Agent " means Broadridge Corporate Issuer Solutions Inc., or such other agent or agents of the Corporation as may be designated by the Board of Directors or its duly authorized designee as the transfer agent, registrar and dividend disbursing agent for the Series E Preferred Shares.

" TTM EBITDA " shall mean, as of any date, the Corporation's EBITDA for the immediately preceding twelve calendar months, as calculated by the Corporation based on its audited and interim financial statements.

" Voting Stock " shall mean stock of any class or kind having the power to vote generally for the election of directors.

Section 3. Dividends .

(a) Holders of issued and outstanding Series E Preferred Shares shall be entitled to receive, when and as declared by the Board of Directors out of funds of the Corporation legally available for the payment of distributions, cumulative preferential cash dividends at a rate per annum equal to the Dividend Rate of the Liquidation Amount. Except as otherwise provided in paragraphs (b) and (c) of this Section 3, the Dividend Rate shall be equal to the Stated Rate. Such dividends shall accrue and accumulate on each issued and outstanding share of the Series E Preferred Shares on a daily basis from (and including) the original date of issuance of such share and shall be payable in arrears on the first calendar day of each Quarterly Dividend Period except for Series E Preferred Shares issued on the day other than the first day of a Quarterly Dividend Period, for which an initial partial dividend payment for dividends accrued shall be payable at the end of the first full Quarterly Dividend Period (each such day being hereinafter called a " Dividend Payment Date "); provided that (i) Series E Preferred Shares issued during any Quarterly Dividend Period after the Dividend Record Date for such Quarterly Dividend Period shall only begin to accrue dividends on the first day of the next Quarterly Dividend Period; and provided further that (ii) if any Dividend Payment Date is not a Business Day, then the dividend that would otherwise have been payable on such Dividend Payment Date may be paid on the next succeeding Business Day with the same force and effect as if paid on such Dividend Payment Date, and no interest or additional dividends or other sums shall accrue on the amount so payable from such Dividend Payment Date to such next succeeding Business Day. Any dividend payable on the Series E Preferred Shares for any partial Quarterly Dividend Period shall be prorated and computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends shall be payable to holders of record as they appear in the stock records of the Corporation at the close of business on the applicable record date, which shall be (i) with respect to the partial Quarterly Dividend Period for dividends accrued as described above, on the last day of the applicable Quarterly Dividend Period and (ii) with respect to all other Quarterly Dividend Periods, the tenth day preceding the applicable Dividend Payment Date, or such other date designated by the Board of Directors or an officer of the Corporation duly authorized by the Board of Directors for the payment of dividends that is not more than 30 nor less than ten days prior to such Dividend Payment Date (each such date, a " Dividend Record Date ").

(b) If at any time four Quarterly Dividend Defaults occur, whether consecutive or non-consecutive (a " Dividend Default "), then (i) the Dividend Rate shall increase to the Penalty Rate, commencing on the first day after the Dividend Payment Date on which a Dividend Default occurs and for each subsequent Dividend Payment Date thereafter until such time as the Corporation has paid all accumulated accrued and unpaid dividends on the Series E Preferred Shares in full and has paid accrued dividends for all Quarterly Dividend Periods during the two most recently completed Quarterly Dividend Periods in full in cash, at which time the Dividend Rate shall revert to the Stated Rate; and

(ii) [Reserved];

Following any Dividend Default that has been cured by the Corporation as provided above in subparagraph (i) of this paragraph (b), if the Corporation subsequently fails to pay cash dividends on the Series E Preferred Shares in full for any Quarterly Dividend Period, such subsequent failure shall constitute a separate Dividend Default, and the foregoing provisions of subparagraphs (i) and (ii) of this paragraph (b) shall immediately apply until such subsequent Dividend Default is cured as so provided.

(c) Once the Series E Preferred Shares become initially eligible for National Market Listing, if the Corporation fails to maintain a National Market Listing for the Series E Preferred Shares for 180 consecutive days or longer (a " Listing Default "), then:

(i) the Dividend Rate shall increase to the Penalty Rate, commencing on the day after the Listing Default and continuing until such time as the Corporation has cured the Listing Default by again subjecting the Series E Preferred Shares to a National Market Listing, at which time the Dividend Rate shall revert to the Stated Rate; and

(ii) [Reserved].

Following any Listing Default that has been cured by the Corporation as provided above in subparagraph (i) of this paragraph (c), if the Series E Preferred Shares subsequently cease to be subject to a National Market Listing, such event shall constitute a separate Listing Default, and the foregoing provisions of subparagraphs (i) and (ii) of this paragraph (c) shall immediately apply until such time as the Series E Preferred Shares are again subject to a National Market Listing.

(d) No dividend on the Series E Preferred Shares will be declared by the Corporation or paid or set apart for payment by the Corporation at such time as the terms and provisions of Senior Shares or any agreement of the Corporation, including any agreement relating to its indebtedness, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration, payment or setting aside of funds is restricted or prohibited under the DGCL or other applicable law; provided, however, notwithstanding anything to the contrary contained herein, dividends on the Series E Preferred Shares shall continue to accrue and accumulate regardless of whether: (i) any or all of the foregoing restrictions exist; (ii) the Corporation has earnings or profits; (iii) there are funds legally available for the payment of such dividends; or (iv) such dividends are authorized by the Board of Directors. Accrued and unpaid dividends on the Series E Preferred Shares will accumulate as of the Dividend Payment Date on which they first become payable or on the date of redemption of the Series E Preferred Shares, as the case may be.

(e) Except as provided in the next sentence, if any Series E Preferred Shares are outstanding, no dividends will be declared or paid or set apart for payment on any Parity Shares or Junior Shares, unless all accumulated accrued and unpaid dividends are contemporaneously declared and paid in cash or declared and a sum of cash sufficient for the payment thereof set apart for such payment on the Series E Preferred Shares for all past Quarterly Dividend Periods with respect to which full dividends were not paid on the Series E Preferred Shares in cash. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart for payment) upon the Series E Preferred Shares and upon all Parity Shares, all dividends declared, paid or set apart for payment upon the Series E Preferred Shares and all such Parity Shares shall be declared and paid pro rata or declared and set apart for payment pro rata so that the amount of dividends declared per share of Series E Preferred Shares and per share of such Parity Shares shall in all cases bear to each other the same ratio that accumulated dividends per share of Series E Preferred Shares and such other Parity Shares (which shall not include any accumulation in respect of unpaid dividends for prior dividend periods if such other Parity Shares do not bear cumulative dividends) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Series E Preferred Shares which may be in arrears, whether at the Stated Rate or at the Penalty Rate.

(f) Except as provided in paragraph (e) of this Section 3, unless all accumulated accrued and unpaid dividends on the Series E Preferred Shares are contemporaneously declared and paid in cash or declared and a sum of cash sufficient for the payment thereof is set apart for payment for all past Quarterly Dividend Periods with respect to which full dividends were not paid on the Series E Preferred Shares in cash, no dividends may be declared or paid or set apart for payment upon the Common Shares or any Junior Shares or Parity Shares, nor shall any Common Shares or any Junior Shares or Parity Shares be redeemed, purchased or otherwise acquired directly or indirectly for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such stock) by the Corporation (except by conversion into or exchange for Junior Shares or by redemption, purchase or acquisition of stock under any employee benefit plan of the Corporation).

(h) Holders of Series E Preferred Shares shall not be entitled to any dividend, whether payable in cash, property or shares, in excess of all accumulated accrued and unpaid dividends on the Series E Preferred Shares as described in this Section 3. Any dividend payment made on the Series E Preferred Shares shall first be credited against the earliest accumulated accrued and unpaid dividend due with respect to such shares which remains payable at the time of such payment.

Section 4. Liquidation Preference .

(a) Subject to the rights of the holders of Senior Shares and Parity Shares, in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Shares, as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation, each holder of the Series E Preferred Shares shall be entitled to receive an amount of cash equal to the Liquidation Amount plus an amount in cash equal to all accumulated accrued and unpaid dividends thereon (whether or not earned or declared) to the date of final distribution to such holders. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the Series E Preferred Shares shall be insufficient to pay in full the preferential amount aforesaid and liquidating payments on any other shares of any class or series of Parity Shares as to the distribution of assets on any liquidation, dissolution or winding up of the Corporation, then such assets, or the proceeds thereof, shall be distributed among the holders of Series E Preferred Shares and any such other Parity Shares ratably in accordance with the respective amounts that would be payable on such Series E Preferred Shares and any such other Parity Shares if all amounts payable thereon were paid in full. For the purposes of this Section 4, none of (i) a consolidation or merger of the Corporation with one or more corporations or other entities, (ii) a sale, lease or transfer of all or substantially all of the Corporation's assets or (iii) a statutory share exchange shall be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(b) Subject to the rights of the holders of Senior Shares and Parity Shares upon liquidation, dissolution or winding up, upon any liquidation, dissolution or winding up of the Corporation, after payment shall have been made in full to the holders of the Series E Preferred Shares, as provided in this Section 4, any other series or class or classes of Junior Shares shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Series E Preferred Shares shall not be entitled to share therein.

Section 5. Redemption .

(a) The Corporation shall not redeem the Series E Preferred Shares prior to February 11, 2017, except that the Corporation may redeem the Series E Preferred Shares in accordance with paragraph (b) of Section 5. On and after February 11, 2017, the Corporation, at its option, upon not less than 30 nor more than 60 days' written notice as contemplated by paragraph (e) of Section 5, may redeem the Series E Preferred Shares, in whole or in part, at any time or from time to time, for cash at a redemption price equal to the Liquidation Amount, plus all accumulated accrued and unpaid dividends thereon (whether or not earned or declared) to, but excluding, the Call Date (subject to paragraph (h) of Section 5), without interest. If fewer than all of the outstanding Series E Preferred Shares are to be redeemed, the number of shares to be redeemed will be determined by the Corporation and such shares may be redeemed pro rata from the holders of record of such shares in proportion to the number of such shares held by such holders (with adjustments to avoid redemption of fractional shares) or by lot in an equitable manner determined by the Corporation.

(b) If a Change of Control occurs, then the Corporation or the acquiring entity in such Change of Control may, at its option, redeem the Series E Preferred Shares, in whole but not in part, within 120 days after the date on which the Change of Control occurs, for cash at a redemption price equal to the Liquidation Amount, plus all accumulated accrued and unpaid dividends thereon (whether or not earned or declared) to, but excluding, the Call Date (subject to paragraph (h) of Section 5), without interest.

(c) With respect to a redemption pursuant to paragraph (a) of Section 5, unless all accumulated accrued and unpaid dividends on all Series E Preferred Shares and any other class or series of Parity Shares shall have been or contemporaneously are declared and paid in cash (or in the form of consideration for payment of dividends on any such Parity Shares) or declared and set apart for payment in cash for all past Quarterly Dividend Periods and the then current Quarterly Dividend Period, no Series E Preferred Shares or such Parity Shares shall be redeemed unless all of the outstanding Series E Preferred Shares and such Parity Shares are simultaneously redeemed; provided, however, that the foregoing shall not prevent the purchase or acquisition of the Series E Preferred Shares or such Parity Shares pursuant to a purchase or exchange offer made on the same terms to holders of all of the outstanding Series E Preferred Shares and such Parity Shares. Also with respect to a redemption pursuant to paragraph (a) of Section 5, unless all accumulated accrued and unpaid dividends on all Series E Preferred Shares and any other class or series of Parity Shares shall have been or contemporaneously are declared and paid in cash (or in the form of consideration for payment of dividends on any such Parity Shares) or declared and set apart for payment in cash for all past Quarterly Dividend Periods and the then current Quarterly Dividend Period, the Corporation shall not purchase or otherwise acquire directly or indirectly any Series E Preferred Shares or such Parity Shares (except by conversion into or exchange for Junior Shares and Parity Shares).

(d) From and after the Call Date (unless the Corporation (or, if applicable, the acquiring entity) defaults in payment of the redemption price as contemplated by Section 5), all dividends will cease to accumulate on the Series E Preferred Shares called for redemption pursuant to Section 5, such shares shall no longer be deemed to be outstanding, and all of the rights of the holders of such shares will terminate with respect to such shares, except the right to receive the redemption price and all accumulated accrued and unpaid dividends up to, but excluding, the Call Date, without interest (upon surrender and endorsement of their certificates, if so required in accordance with paragraph (g) of Section 5).

(e) Notice of the redemption of any Series E Preferred Shares pursuant to Section 5 shall be mailed by first class mail to each holder of record of Series E Preferred Shares to be redeemed at the address of each such holder as shown on the Corporation's share transfer books at least 30 but not more than 60 days prior to the applicable Call Date. Neither the failure to mail any notice required by this paragraph (e), nor any defect therein or in the mailing thereof, to any particular holder, shall affect the sufficiency of the notice or the validity of the proceedings for redemption with respect to the other holders. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given on the date mailed whether or not the holder receives the notice. Each such mailed notice shall state, as appropriate: (1) the Call Date; (2) for a redemption pursuant to paragraph (a) of Section 5, the number of Series E Preferred Shares to be redeemed; (3) the redemption price equal to the Liquidation Amount plus accumulated accrued and unpaid dividends through, but excluding, the Call Date; (4) the place or places where any certificates for such shares, other than certificates issued as contemplated by Section 13, are to be surrendered for payment of the redemption price; (5) that dividends on the shares to be redeemed shall cease to accrue on such Call Date; (6) if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; (7) if such redemption is being made in connection with a Change of Control, that the holders of the Series E Preferred Shares being so called for redemption will not be able to tender such Series E Preferred Shares for conversion in accordance with Section 6(b) hereof and that each Series E Preferred Share tendered for conversion that is called, prior to the Series E Change of Control Conversion Date (as defined below), for redemption will be redeemed on the related date of redemption instead of converted on the Series E Change of Control Conversion Date, provided that the holders of Series E Preferred Shares may always convert such shares as provided for under Section 6(a); and (8) any other information required by law or by the applicable rules of any exchange or national securities market upon which the Series E Preferred Shares may be listed or admitted for trading. In the case of a redemption pursuant to paragraph (a) of Section 5 in which fewer than all of the outstanding Series E Preferred Shares are to be redeemed, then the notice mailed pursuant to this paragraph (e) of Section 5 shall also specify the number of Series E Preferred Shares to be redeemed from each holder thereof.

(f) The Corporation's (or, if applicable, the acquiring entity's) obligation to provide cash in accordance with Section 5 shall be deemed fulfilled if, on or before the Call Date, the Corporation (or such acquiring entity) shall irrevocably deposit funds necessary for redemption pursuant to Section 5, in trust for the holders of the Series E Preferred Shares so called for redemption pursuant to Section 5, with a bank or trust company that has, or is an affiliate of a bank or trust company that has, capital and surplus of at least $50,000,000, with irrevocable instructions that such cash be applied to the redemption of the Series E Preferred Shares so called for redemption, in which case the notice to holders of the Series E Preferred Shares will (i) state the date of such deposit; (ii) specify the office of such bank or trust company as the place of payment of the redemption price; and (iii) require such holders to surrender any certificates representing such shares, other than certificates issued as contemplated by Section 13, at such place on or about the date fixed in such redemption notice (which may not be later than the Call Date) against payment of the redemption price (including all accumulated accrued and unpaid dividends to the Call Date). No interest shall accrue for the benefit of the holders of Series E Preferred Shares to be redeemed on any cash so set aside by the Corporation (or such acquiring entity). Subject to applicable escheat laws, any such cash unclaimed at the end of six months from the Call Date shall revert to the general funds of the Corporation (or such acquiring entity), after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation (or such acquiring entity) for the payment of such cash.

(g) On or after the Call Date, each holder of Series E Preferred Shares that holds a certificate, other than certificates issued as contemplated by Section 13, must present and surrender (and properly endorse or assign for transfer, if the Corporation shall require and if the notice shall so state) each such certificate representing such holder's Series E Preferred Shares to the Corporation at the place designated in the applicable notice and thereupon the redemption price of such shares will be paid to or on the order of the person whose name appears on such certificate representing the Series E Preferred Shares as the owner thereof, and each surrendered certificate will be canceled. All Series E Preferred Shares redeemed by the Corporation pursuant to Section 5, or otherwise acquired by the Corporation, shall be retired and restored to the status of authorized but unissued shares of undesignated Preferred Shares.

(h) If the Corporation redeems any of the Series E Preferred Shares pursuant to Section 5 and, if the Call Date for such redemption occurs after a Dividend Record Date and on or prior to the related Dividend Payment Date, then the dividend payable on such Dividend Payment Date with respect to such shares called for redemption shall be payable on such Dividend Payment Date to the holders of record at the close of business on such Dividend Record Date, and shall not be payable as part of the redemption price for such shares.

Section 6. Conversion of Shares .

(a) From time to time after the date of issuance of the Series E Preferred Shares, each Series E Preferred Share shall be convertible at any time at the option of the holder into that number of validly issued, fully paid and non-assessable Common Shares computed by dividing the Liquidation Amount by the Series E Conversion Price. Each Series E Preferred Share called for redemption will be convertible pursuant to this Section 6(a) into Common Shares up to and including, but not after, the close of business on the date fixed for redemption unless the Corporation defaults in the payment of the amount payable upon redemption.

(b) Upon the occurrence of a Change of Control, each holder of Series E Preferred Shares will have the right (unless, prior to the Series E Change of Control Conversion Date, the Corporation has provided notice of its election to redeem some or all of the Series E Preferred Shares held by such holder as described in Sections 5(b) above, in which case such holder will have the right only with respect to Series E Preferred Shares that are not called for redemption), to convert some or all of the Series E Preferred Shares held by such holder (the " Series E Change of Control Conversion Right ") on the Series E Change of Control Conversion Date into a number of validly issued, fully paid and non-assessable Common Shares per Series E Preferred Share (the " Series E/Common Stock Conversion Consideration ") equal to the lesser of: (i) the quotient obtained by dividing (A) the sum of the Liquidation Amount plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Series E Change of Control Conversion Date (unless the Series E Change of Control Conversion Date is after a Series E Dividend Record Date (as defined herein) and prior to the corresponding Series E Dividend Payment Date (as defined herein) for the Series E Preferred Shares, in which case no additional amount for such accrued and unpaid dividends will be included in this sum) by (B) the Common Stock Price; and (ii) 29 (the " Share Cap "), subject to adjustments to the Share Cap for any splits, subdivisions or combinations of our Common Shares; in each case, on the terms and subject to the conditions described in this Section 6.

(c) The Corporation shall have the option exercisable from time to time by written notice to any holder of the Series E Preferred Shares (" Notice of Mandatory Conversion ") of compelling such holder to convert all or a portion of the Series E Preferred Shares held by such holder into Common Shares (" Mandatory Conversion "), subject to the requirements of this Section 6(b). Each Series E Preferred Share subject to a Notice of Mandatory Conversion shall be convertible into a number of validly issued, fully paid and non-assessable Common Shares computed by dividing the Liquidation Amount by the Series E Conversion Price. The Notice of Mandatory Conversion, which if given, must be given on the first business day following a period in which for at least twenty (20) Trading Days in the aggregate during thirty (30) consecutive Trading Days, the Trading Price for the Common Shares was equal to or greater than 130% of the Series E Conversion Price. The date the Notice of Mandatory Conversion is given is the " Mandatory Conversion Date ." The Notice of Mandatory Conversion shall specify the amount of the Series E Preferred Shares which are subject to Mandatory Conversion. Each Mandatory Conversion Date shall be a deemed conversion date and the Corporation will be required to deliver the Common Shares issuable pursuant to a Mandatory Conversion Notice in the same manner and time period as described in Section 6(c). In the event the Corporation fails to deliver the Common Shares issuable upon Mandatory Conversion on the delivery date, then at such holder's election, such Notice of Mandatory Conversion will be null and void or such holder may enforce the Notice of Mandatory Conversion. A Notice of Mandatory Conversion may not be rescinded by the Corporation without the consent of such holder.

(d) In the case of a Change of Control pursuant to which Common Shares are or will be converted into cash, securities or other property or assets (including any combination thereof) (the " Alternative Form Consideration "), a holder of Series E Preferred Shares will receive upon conversion of such Series E Preferred Shares the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of Common Shares equal to the Series E/Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the " Alternative Conversion Consideration "; the Series E/Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the " Conversion Consideration ").

(e) If the holders of Common Shares have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding Common Shares that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding Common Shares that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of Common Shares are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

(f) Within 15 days following the occurrence of a Change of Control, provided that the Corporation has not then exercised its right to redeem all Series E Preferred Shares pursuant to Section 6(b), the Corporation will provide to holders of Series E Preferred Shares a notice of occurrence of the Change of Control that describes the resulting Series E Change of Control Conversion Right, which notice shall be delivered to the holders of record of the Series E Preferred Shares in their addresses as they appear on the stock transfer records of the Corporation and shall state: (i) the events constituting the Change of Control; (ii) the date of the Change of Control; (iii) the last date on which the holders of Series E Preferred Shares may exercise their Series E Change of Control Conversion Right; (iv) the method and period for calculating the Common Stock Price; (v) the Series E Change of Control Conversion Date; (vi) that if, prior to the Series E Change of Control Conversion Date, the Corporation has provided notice of its election to redeem all or any Series E Preferred Shares pursuant to Section 6(b), holders will not be able to convert the Series E Preferred Shares called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Series E Change of Control Conversion Right; (vii) if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per Series E Preferred Share; (viii) the name and address of the paying agent, transfer agent and conversion agent for the Series E Preferred Shares; (ix) the procedures that the holders of Series E Preferred Shares must follow to exercise the Series E Change of Control Conversion Right (including procedures for surrendering shares for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and (x) the last date on which holders of Series E Preferred Shares may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

(g) The Corporation shall also issue a press release containing such notice provided for in the preceding Section 6(f) for publication on either of Dow Jones & Company, Inc., Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on its website, in any event prior to the opening of business on the first Business Day following any date on which it provides the notice provided for in Section 6(f) to the holders of Series E Preferred Shares.

(h) To exercise the Series E Change of Control Conversion Right, the holders of Series E Preferred Shares will be required to deliver, on or before the close of business on the Series E Change of Control Conversion Date, the certificates (if any) representing the Series E Preferred Shares to be converted, duly endorsed for transfer (or, in the case of any Series E Preferred Shares held in book-entry form through a Depositary, to deliver, on or before the close of business on the Series E Change of Control Conversion Date, the Series E Preferred Shares to be converted through the facilities of such Depositary), together with a written conversion notice in the form provided by the Corporation, duly completed, to its transfer agent. The conversion notice must state: (i) the relevant Series E Change of Control Conversion Date; (ii) the number of Series E Preferred Shares to be converted; and (iii) that the Series E Preferred Shares are to be converted pursuant to the applicable provisions of the Series E Preferred Shares.

(i) Holders of Series E Preferred Shares may withdraw any notice of exercise of a Series E Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to the transfer agent of the Corporation prior to the close of business on the Business Day prior to the Series E Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state: (i) the number of withdrawn Series E Preferred Shares; (ii) if certificated Series E Preferred Shares have been surrendered for conversion, the certificate numbers of the withdrawn Series E Preferred Shares; and (iii) the number of Series E Preferred Shares, if any, which remain subject to the holder’s conversion notice.

(j) Notwithstanding anything to the contrary contained in Section 6, if any Series E Preferred Shares are held in book-entry form through the Depositary (as defined below), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

(k) (i) Each conversion of Series E Preferred Shares shall be deemed to have been effected as of the close of business on the date on which notice of election of such conversion is delivered to the Corporation by such holder. Until the certificates representing the Series E Preferred Shares that are being converted have been surrendered, other than certificates issued as contemplated by Section 13, and new certificates representing the Common Shares shall have been issued by the Corporation, such certificate(s) evidencing the Series E Preferred Shares being converted shall be evidence of the issuance of such Common Shares. At such time as such conversion has been effected, the rights of the holder of such Series E Preferred Shares as such holder shall cease and the Person or Persons in whose name or names any certificate or certificates for Common Shares are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the Common Shares represented thereby.

(ii) As soon as practicable after a conversion has been effected in accordance with clause (i) above, the Corporation shall deliver to the converting holder: (A) a certificate or certificates representing, in the aggregate, the number of Common Shares issuable by reason of such conversion, in the name or names and in such denomination or denominations as the converting holder has specified; and (B) a certificate representing any Series E Preferred Shares which were represented by the certificate or certificates delivered to the Corporation in connection with such conversion, but which were not converted.

(iii) The issuance of certificates for Common Shares upon conversion of the Series E Preferred Shares shall be made without charge to the holders of such Series E Preferred Shares for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of Common Shares, except for any transfer or similar tax payable as a result of issuance of a certificate to other than the registered holder of the shares being converted.

(iv) The Corporation shall not close its books against the transfer of the Series E Preferred Shares or of Common Shares issued or issuable upon conversion of the Series E Preferred Shares in any manner which interferes with the timely conversion of the Series E Preferred Shares. The Corporation shall assist and cooperate with any holder of Series E Preferred Shares required to make any governmental filings or obtain any governmental approval prior to or in connection with any conversion of shares hereunder (including, without limitation, making any filings reasonably required to be made by the Corporation).

(v) No fractional Common Shares or scrip representing fractional shares shall be issued upon conversion of Series E Preferred Shares. If more than one Series E Preferred Share shall be surrendered for conversion at one time by the same record holder, the number of full Common Shares issuable upon the conversion thereof shall be computed on the basis of the aggregate number of Series E Preferred Shares so surrendered by such record holder. Instead, the Corporation will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Series E/Common Stock Conversion Consideration for such Change of Control or the Conversion Price in the event of conversion pursuant to Section 6(a) or (c).

(vi) The Corporation shall use its best efforts at all times to reserve and keep available out of its authorized but unissued Common Shares solely for the purpose of issuance upon the conversion of the Series E Preferred Shares, such number of Common Shares as are issuable upon the conversion of all outstanding Series E Preferred Shares. All Common Shares which are so issuable shall, when issued, be duly and validly issued, fully paid and nonassessable and free from all taxes, liens and charges, other than those created or agreed to by the holder. The Corporation shall use its best efforts to take all such actions as may be necessary to assure that all such Common Shares may be so issued without violation of any applicable law or governmental regulation or any requirements of any domestic securities exchange upon which Common Shares may be listed (except for official notice of issuance which shall be immediately delivered by the Corporation upon each such issuance).

(l) If the Corporation at any time subdivides (by any stock split, stock dividend, recapitalization or any similar transaction) one or more classes of its outstanding Common Shares into a greater number of shares, or if the Corporation at any time combines (by reverse stock split, reclassification or any similar transaction) one or more classes of its outstanding Common Shares into a smaller number of shares, the Series E Conversion Price and Share Cap in effect immediately prior to such subdivision or combination shall be proportionately adjusted.

(m) (i) Promptly upon any adjustment of the Series E Conversion Price as described in Section 6(d), the Corporation shall give written notice thereof to all holders of the Series E Preferred Shares, setting forth in reasonable detail and certifying the calculation of such adjustment.

(ii) The Corporation shall give written notice to all holders of the Series E Preferred Shares at least ten (10) days' prior to the date on which the Corporation closes its books or takes a record (A) with respect to any dividend or distribution upon Common Shares, (B) with respect to any pro rata subscription offer to holders of Common Shares, or (C) for determining rights with respect to any Change of Control.

(iii) The Corporation shall give written notice to the holders of the Series E Preferred Shares at least ten (10) days' prior to the date on which any Change of Control shall take place, which notice may be one and the same as that required by (ii) above.

Section 7. Ranking . Any class or series of shares of stock of the Corporation shall be deemed to rank:

(a) prior to the Series E Preferred Shares, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series E Preferred Shares (" Senior Shares ");

(b) on a parity with the Series E Preferred Shares, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Series E Preferred Shares, if the holders of such class or series and the Series E Preferred Shares shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or liquidation preferences, without preference or priority one over the other (" Parity Shares "); and

(c) junior to the Series E Preferred Shares, as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, if such class or series shall be the Common Shares or any other class or series of shares of stock of the Corporation now or hereafter issued and outstanding over which the Series E Preferred Shares have preference or priority in the payment of dividends and in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation (" Junior Shares ").

Section 8. Voting Rights . The Series E Preferred Shares shall have no voting rights, except as set forth in this Section 8.

(a) So long as any Series E Preferred Shares are outstanding, the affirmative vote of the holders of at least two-thirds of the Series E Preferred Shares at the time outstanding, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) Any amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or these terms of the Series E Preferred Shares that materially and adversely affects the rights, preferences or voting power of the Series E Preferred Shares; provided, however, that the amendment of the provisions of the Certificate of Incorporation so as to authorize or create, or to increase the authorized amount of, the Series E Preferred Shares, any Junior Shares that are not senior in any respect to the Series E Preferred Shares, or any shares of any class ranking, as to receipt of dividends or distribution of assets upon liquidation, dissolution or winding up of the Corporation, on a parity with the Series E Preferred Shares shall not be deemed to materially or adversely affect the rights, preferences or voting power of the Series E Preferred Shares; and provided, further, that if any such amendment, alteration or repeal would materially and adversely affect any voting powers, rights or preferences of the Series E Preferred Shares that are not enjoyed by some or all of the other series otherwise entitled to vote in accordance herewith, the affirmative vote of at least two-thirds of the votes entitled to be cast by the holders of all series similarly affected, similarly given, shall be required in lieu of the affirmative vote of at least two-thirds of the votes entitled to be cast by the holders of the Series E Preferred Shares; or

(ii) The authorization, reclassification or creation of, or the increase in the authorized amount of, any shares of any class or any security convertible into or exchangeable for shares of any class ranking prior to the Series E Preferred Shares in the distribution of assets on any liquidation, dissolution or winding up of the Corporation or in the payment of dividends;

provided, however, that no such vote of the holders of Series E Preferred Shares shall be required on or after February 11, 2017, or in connection with a Change of Control if, at or prior to the time when such amendment, alteration, repeal, share exchange, consolidation or merger is to take effect, or when the issuance of any such prior shares or convertible security is to be made, as the case may be, a deposit is made for the redemption in cash of all Series E Preferred Shares at the time outstanding as provided in paragraph (e) of Section 5 hereof for a redemption price determined under the appropriate paragraph of Section 5.

(b) So long as Series E Preferred Shares have at least an aggregate of $10,000,000 in liquidation amount are outstanding, the affirmative vote of the holders of at least two-thirds of the Series E Preferred Shares at the time outstanding, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary for the Corporation to incur additional Indebtedness after the date the first Series E Preferred Share is issued in an amount greater than the lesser of (i) $10,000,000 or (ii) four and one-half (4.5) multiplied by the Corporation's TTM EBITDA, as calculated as of the end of the month prior to the incurrence of any Indebtedness.

(c) For purposes of the foregoing provisions of this Section 8, each Series E Preferred Share shall have one vote per share. Except as set forth herein, the Series E Preferred Shares shall not have any relative, participating, optional or other special voting rights and powers other than as set forth herein, and the consent of the holders thereof shall not be required for the taking of any corporate action.

(d) No amendment to these terms of the Series E Preferred Shares shall require the vote of the holders of Common Shares (except as required by law) or any series of Preferred Stock other than the Series E Preferred Shares.

Section 9. Information Rights . During any period in which the Corporation is not subject to Section 13 or 15(d) of the Exchange Act and any Series E Preferred Shares are outstanding, the Corporation shall (a) transmit by mail to all holders of Series E Preferred Shares, as their names and addresses appear in the Corporation's record books and without cost to such holders, copies of the annual reports and quarterly reports that the Corporation would have been required to file with the Securities and Exchange Commission (the " SEC ") pursuant to Section 13 or 15(d) of the Exchange Act if the Corporation was subject to such Sections (other than any exhibits that would have been required); and (b) promptly upon written request, supply copies of such reports to any prospective holder of Series E Preferred Shares. The Corporation shall mail the reports to the holders of Series E Preferred Shares within 15 days after the respective dates by which the Corporation would have been required to file the reports with the SEC if the Corporation were then subject to Section 13 or 15(d) of the Exchange Act, assuming the Corporation is a "non-accelerated filer" in accordance with the Exchange Act.

Section 10. Record Holders . The Corporation and the Transfer Agent shall deem and treat the record holder of any Series E Preferred Shares as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary,

Section 11. Sinking Fund . The Series E Preferred Shares shall not be entitled to the benefits of any retirement or sinking fund.

Section 12. [Reserved.]

Section 13. Book Entry . The Series E Preferred Shares shall be issued initially in the form of one or more fully registered global certificates (" Global Preferred Shares "), which shall be deposited on behalf of the purchasers represented thereby with the Transfer Agent, as custodian for a securities depositary (the " Depositary ") that is a clearing agency under Section 17A of the Exchange Act (or with such other custodian as the Depositary may direct), and registered in the name of the Depositary or its nominee, duly executed by the Corporation and authenticated by the Transfer Agent. The number of Series E Preferred Shares represented by Global Preferred Shares may from time to time be increased or decreased by adjustments made on the records of the Transfer Agent and the Depositary as hereinafter provided. Members of, or participants in, the Depositary (" Agent Members ") shall have no rights under these terms of the Series E Preferred Shares with respect to any Global Preferred Shares held on their behalf by the Depositary or by the Transfer Agent as the custodian of the Depositary or under such Global Preferred Shares, and the Depositary may be treated by the Corporation, the Transfer Agent and any agent of the Corporation or the Transfer Agent as the absolute owner of such Global Preferred Shares for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Corporation, the Transfer Agent or any agent of the Corporation or the Transfer Agent from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of the Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Preferred Shares.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Designation to be duly executed and acknowledged by Steven W. King its President and Chief Executive Officer as of this 12th day of February, 2014.

PEREGRINE PHARMACEUTICALS, INC.

/s/ Steven W. King
Steven W. King
President and Chief Executive Officer

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PEREGRINE PHARMACEUTICALS, INC.,
A DELAWARE CORPORATION

PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at the 2008 Annual Meeting. The resolutions set forth the proposed amendment as follows:

RESOLVED, that ARTICLE 4 of the Certificate of Incorporation of the Corporation be amended by adding the following paragraph at the end thereof:

" **Reverse Stock Split** .

Effective as of the close of business on the filing date of this Certificate of Amendment with the Secretary of State of the State of Delaware (the "Effective Time"), every five (5) outstanding shares of Common Stock, par value $0.001, of the Corporation issued and outstanding or held in the treasury of the Corporation as of the close of business on October 16, 2009 will automatically be combined, reclassified and changed into one (1) fully paid and non-assessable share of Common Stock, par value $0.001, without any further action by the holders of such shares; provided, however, that no fractional shares shall be issued. Stockholders who would otherwise be entitled to a fractional share will receive one whole share of common stock in lieu of such fraction. No other exchange, reclassification or cancellation of issued shares shall be effected by this Amendment."

2. That thereafter, pursuant to resolution of the Board of Directors, an Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which Annual Meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Steven W. King, its President and CEO, and attested to by Paul J. Lytle, its CFO and Corporate Secretary, this 16th day of October, 2009.

PEREGRINE PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ Steven W. King
Steven W. King, President and CEO

ATTEST:

/s/ Paul J. Lytle
Paul J. Lytle, CFO and Corporate Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PEREGRINE PHARMACEUTICALS, INC.,
A DELAWARE CORPORATION

PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at a special meeting. The resolutions setting forth the proposed amendment is as follows:

"RESOLVED, that the Certificate of Incorporation be amended by changing the first sentence of ARTICLE 4 so that it shall read as follows:

"The total number of shares of all classes of stock which the Corporation shall have authority to issue is 330,000,000, of which (i) 325,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share."

2. That thereafter, pursuant to resolution of the Board of Directors, an Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which Annual Meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Steven W. King, its President & CEO, and attested to by Paul J. Lytle, its Secretary, this 22nd day of October, 2007.

PEREGRINE PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ Steven W. King
Steven W. King, President & CEO

ATTEST:

/s/ Paul J. Lytle
Paul J. Lytle, Secretary

CERTIFICATE OF DESIGNATION

of

SERIES D PARTICIPATING PREFERRED STOCK

of

PEREGRINE PHARMACEUTICALS, INC.

Pursuant to Section 151 of the General Corporation Law
of the State of Delaware

Peregrine Pharmaceuticals, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 151 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority vested in the Board of Directors in accordance with the provisions of the Certificate of Incorporation of the said Corporation, the said Board of Directors on March 16, 2006 adopted the following resolution creating a series of 500,000 shares of Preferred Stock designated as " Series D Participating Preferred Stock ":

> RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of the Certificate of Incorporation, a series of Preferred Stock, par value $.001 per share, of the Corporation be and hereby is created, and that the designation and number of shares thereof and the voting and other powers, preferences and relative, participating, optional or other rights of the shares of such Series and the qualifications, limitations and restrictions thereof are as follows:

Series D Participating Preferred Stock

1. *Designation and Amount.* There shall be a series of Preferred Stock that shall be designated as "Series D Participating Preferred Stock," and the number of shares constituting such series shall be 500,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series D Participating Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

2. *Dividends and Distribution.*

(A) Subject to the prior and superior rights of the holders of any shares of any class or series of stock of the Corporation ranking prior and superior to the shares of Series D Participating Preferred Stock with respect to dividends, the holders of shares of Series D Participating Preferred Stock, in preference to the holders of shares of any class or series of stock of the Corporation ranking junior to the Series D Participating Preferred Stock in respect thereof, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of May, August, November and February in each year (each such date being referred to herein as a " Quarterly Dividend Payment Date "), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series D Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) the Adjustment Number (as defined below) times the aggregate per share amount of all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $.001 per share, of the Corporation (the " Common Stock ") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series D Participating Preferred Stock. The "Adjustment Number" shall initially be 1,000. In the event the Corporation shall at any time after March 16, 2006, (i) declare and pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series D Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series D Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series D Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series D Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series D Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series D Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

3. *Voting Rights.* The holders of shares of Series D Participating Preferred Stock shall have the following voting rights:

(A) Each share of Series D Participating Preferred Stock shall entitle the holder thereof to a number of votes equal to the Adjustment Number on all matters submitted to a vote of the stockholders of the Corporation.

(B) Except as required by law and by Section 10 hereof, holders of Series D Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

(C) If, at the time of any annual meeting of stockholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of Series D Participating Preferred Stock are in default, the number of directors constituting the Board of Directors of the Company shall be increased by two. In addition to voting together with the holders of Common Stock for the election of other directors of the Company, the holders of record of the Series D Participating Preferred Stock, voting separately as a class to the exclusion of the holders of Common Stock, shall be entitled at said meeting of stockholders (and at each subsequent annual meeting of stockholders), unless all dividends in arrears on the Series D Participating Preferred Stock have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Company, the holders of any Series D Participating Preferred Stock being entitled to cast a number of votes per share of Series D Participating Preferred Stock as is specified in paragraph (A) of this Section 3. Each such additional director shall serve until the next annual meeting of stockholders for the election of directors, or until his successor shall be elected and shall qualify, or until his right to hold such office terminates pursuant to the provisions of this Section 3(C). Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, without cause, only by the affirmative vote of the holders of the shares of Series D Participating Preferred Stock at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of the Series D Participating Preferred Stock shall be divested of the foregoing special voting rights, subject to revesting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two. The voting rights granted by this Section 3(C) shall be in addition to any other voting rights granted to the holders of the Series D Participating Preferred Stock in this Section 3.

4. *Certain Restrictions.*

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series D Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series D Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series D Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series D Participating Preferred Stock, except dividends paid ratably on the Series D Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem, purchase or otherwise acquire for consideration any shares of Series D Participating Preferred Stock, or any shares of stock ranking on a parity with the Series D Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series D Participating Preferred Stock, or to such holders and holders of any such shares ranking on a parity therewith, upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective Series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. *Reacquired Shares.* Any shares of Series D Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired promptly after the acquisition thereof. All such shares shall upon their retirement become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth herein.

6. *Liquidation, Dissolution or Winding Up.* (A) Upon any liquidation, dissolution or winding up of the Corporation, voluntary or otherwise, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series D Participating Preferred Stock unless, prior thereto, the holders of shares of Series D Participating Preferred Stock shall have received an amount per share (the " Series D Liquidation Preference ") equal to the greater of (i) $1,000 plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (ii) the Adjustment Number times the per share amount of all cash and other property to be distributed in respect of the Common Stock upon such liquidation, dissolution or winding up of the Corporation.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series D Liquidation Preference and the liquidation preferences of all other classes and series of stock of the Corporation, if any, that rank on a parity with the Series D Participating Preferred Stock in respect thereof, then the assets available for such distribution shall be distributed ratably to the holders of the Series D Participating Preferred Stock and the holders of such parity shares in proportion to their respective liquidation preferences.

(C) Neither the merger nor consolidation of the Corporation into or with another corporation nor the merger or consolidation of any other corporation into or with the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

7. *Consolidation, Merger, Etc.* In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the outstanding shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series D Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series D Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event. In the event the Corporation shall at any time declare or pay any dividend on the Series D Participating Preferred Stock payable in shares of Series D Participating Preferred Stock, or effect a subdivision, combination or consolidation of the outstanding shares of Series D Participating Preferred Stock (by reclassification or otherwise than by payment of a dividend in shares of Series D Participating Preferred Stock) into a greater or lesser number of shares of Series D Participating Preferred Stock, then in each such case the amount set forth in the first sentence of this Section 7 with respect to the exchange or change of shares of Series D Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Series D Participating Preferred Stock that were outstanding immediately prior to such event and the denominator of which is the number of shares of Series D Participating Preferred Stock outstanding immediately after such event.

8. *No Redemption.* Shares of Series D Participating Preferred Stock shall not be subject to redemption by the Company.

9. *Ranking.* The Series D Participating Preferred Stock shall rank junior to all other series of the Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, unless the terms of any such series shall provide otherwise, and shall rank senior to the Common Stock as to such matters.

10. *Amendment.* At any time that any shares of Series D Participating Preferred Stock are outstanding, the Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series D Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds of the outstanding shares of Series D Participating Preferred Stock, voting separately as a class.

11. *Fractional Shares.* Series D Participating Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series D Participating Preferred Stock.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 16th day of March, 2006.

PEREGRINE PHARMACEUTICALS, INC.

By: /s/ Steven W. King
Name: Steven W. King
Title: President and CEO

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PEREGRINE PHARMACEUTICALS, INC.,
A DELAWARE CORPORATION

PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at a special meeting. The resolutions setting forth the proposed amendment is as follows:

"RESOLVED, that the Certificate of Incorporation be amended by changing the first sentence of ARTICLE 4 so that it shall read as follows:

"The total number of shares of all classes of stock which the Corporation shall have authority to issue is 255,000,000, of which (i) 250,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share."

2. That thereafter, pursuant to resolution of the Board of Directors, an Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which Annual Meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Steven W. King, its President & CEO, and attested to by Paul J. Lytle, its Secretary, this 24th day of October, 2005.

PEREGRINE PHARMACEUTICALS, INC.
a Delaware corporation

By: /s/ STEVEN W. KING
Steven W. King, President & CEO

ATTEST:

/s/ PAUL J. LYTLE
Paul J. Lytle, Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PEREGRINE PHARMACEUTICALS, INC.
a Delaware Corporation

PEREGRINE PHARMACEUTICALS, Inc, a corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at a special meeting. The resolutions setting forth the proposed amendment is as follows:

"RESOLVED, that the Certificate of Incorporation of the Corporation, as amended, be hereby further amended by changing the first sentence of ARTICLE 4 so that it shall read as follows:

"The total number of shares of all classes of stock which the Corporation shall have authority to issue is 205,000,000, of which (i) 200,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share."

2. That thereafter, pursuant to resolution of the Board of Directors, an Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which Annual Meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Steven W. King, its President & CEO, and attested to by Paul J. Lytle, its Secretary, this 14th day of October, 2003.

PEREGRINE PHARMACEUTICALS, INC.
a Delaware corporation

By: /S/STEVEN W. KING
Steven W. King, President & CEO

ATTEST:

/S/ PAUL J. LYTLE
Paul J. Lytle, Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PEREGRINE PHARMACEUTICALS, INC.,
a Delaware corporation

PEREGRINE PHARMACEUTICALS, INC., a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at a special meeting. The resolutions setting forth the proposed amendment is as follows:

"RESOLVED, that the Certificate of Incorporation be amended by changing the first sentence of ARTICLE 4 so that it shall read as follows:

"The total number of shares of all classes of stock which the Corporation shall have authority to issue is 180,000,000, of which (i) 175,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share."

2. That thereafter, pursuant to resolution of the Board of Directors, an Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which Annual Meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Edward J. Legere, its President & CEO, and attested to by Paul J. Lytle, its Secretary, this 22nd day of October, 2002.

PEREGRINE PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ EdwardJ. Legere
Edward J. Legere, President & CEO

ATTEST:

/s/ Paul J. Lytle
Paul J. Lytle, Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
TECHNICLONE CORPORATION, INC.,
a Delaware Corporation

THE undersigned hereby certify that:

1. They are the duly elected and acting President and Secretary, respectively, of said corporation.

2. The Certificate of Incorporation of the corporation is hereby amended by striking out Article I thereof and by substituting in lieu of said article the following new Article I:

"NAME: The name of the Corporation is Peregrine Pharmaceuticals, Inc."

3. The amendment of the Certificate of Incorporation herein certified has been duly adopted by the Board of Directors at a regular meeting and the shareholders of the corporation at an annual meeting in accordance with the provisions of section 242 of the General Corporation Law of the State of Delaware.

The undersigned, being President and Secretary, hereby declare under penalty of perjury that the matters set forth in the foregoing certificate are true and correct of both their own knowledge and that this declaration was executed on this 25th day of October, 2000.

/s/ John Bonfiglio
John Bonfiglio, President

/s/ Paul Lytle
Paul Lytle, Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
TECHNICLONE CORPORATION,
a Delaware Corporation

TECHNICLONE CORPORATION, a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at a special meeting. The resolutions setting forth the proposed amendment is as follows:

"RESOLVED, that the Certificate of Incorporation be amended by changing the first sentence of ARTICLE 4 so that it shall read as follows:

"The total number of shares of all classes of stock which the Corporation shall have authority to issue is 155,000,000, of which (i) 150,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share."

2. That thereafter, pursuant to resolution of the Board of Directors, an Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which Annual Meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Larry O. Bymaster, its President, and attested to by Steven C. Burke, its Secretary, this 21st day of October, 1999.

TECHNICLONE CORPORATION,
a Delaware corporation

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

ATTEST:

/s/ Steven C. Burke
Steven C. Burke, Secretary

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
TECHNICLONE CORPORATION,
a Delaware Corporation

TECHNICLONE CORPORATION, a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at a special meeting. The resolution setting forth the proposed amendment is as follows:

> "RESOLVED, that the Certificate of Incorporation be amended by changing the first sentence of ARTICLE 4 so that it shall read as follows:
>
> "The total number of shares of all classes of stock which the Corporation shall have authority to issue is 125,000,000, of which (i) 120,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share."

2. That thereafter, pursuant to resolution of the Board of Directors, a Special Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Lon H. Stone, Chairman of the Board of Directors, and attested to by William V. Moding, its Secretary, this 11th day of May, 1998.

TECHNICLONE CORPORATION,
a Delaware corporation

By: /s/ Thomas R. Testman
Thomas R. Testman,
Interim Chief Executive Officer

ATTEST:

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

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION
OF
TECHNICLONE CORPORATION,
a Delaware Corporation

TECHNICLONE CORPORATION, a Delaware corporation organized and existing under and by virtue of the Delaware General Corporation Law (hereinafter referred to as the "Corporation"), hereby certifies as follows:

1. That at a meeting of the Board of Directors of the Corporation resolutions were duly adopted setting forth a proposed amendment of the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing said amendment to be submitted to the stockholders of the Corporation at its Annual Meeting. The resolution setting forth the proposed amendment is as follows:

"RESOLVED, that the Certificate of Incorporation be amended by changing the first sentence of ARTICLE 4 so that it shall read as follows:

"The total number of shares of all classes of stock which the Corporation shall have authority to issue is 65,000,000, of which (i) 60,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share."

2. That thereafter, pursuant to resolution of the Board of Directors, the Annual Meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the Delaware General Corporation Law, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

3, That said amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by Lon H. Stone, its President, and attested to by William V. Moding, its Secretary, this 28th day of October, 1997.

TECHNICLONE CORPORATION,
a Delaware corporation

By: /s/ Lon H. Stone
Lon H. Stone, President

ATTEST:

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

CERTIFICATE OF DESIGNATION
OF

5% ADJUSTABLE CONVERTIBLE CLASS C PREFERRED STOCK

OF
TECHNICLONE CORPORATION
a Delaware Corporation

(Pursuant to Section 151 of the General Corporation Law of the State of Delaware)

Techniclone Corporation, a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), hereby certifies that, pursuant to the authority contained in its Certificate of Incorporation, and in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware, its Board of Directors has adopted the following resolution creating a series of its Preferred Stock designated as 5% Adjustable Convertible Class C Preferred Stock:

" **BE IT RESOLVED** , that pursuant to the authority vested in the Board of Directors of the Corporation by the Certificate of Incorporation, the Board of Directors does hereby provide for the issue of a series of Preferred Stock, $.001 par value per share, in connection with those certain 5% Preferred Stock Investment Agreements dated April 24, 1997 by and among the Corporation and certain investors (the "Securities Purchase Agreements"), there shall be a series of shares of the Preferred Stock of the Corporation designated "5% Adjustable Convertible Class "C" Preferred Stock"; that the number of shares of such series shall be 17,200 and that the rights and preferences of such series (referred to herein as the "5% Preferred" or "Shares") and the limitations or restrictions thereon, and the rights and terms of the stock purchase warrants ("Warrants") issuable upon conversion of the 5% Preferred, shall be as follows (as used herein, unless the context otherwise requires, shares of 5% Preferred shall include shares of 5% Preferred issuable as dividends on shares of 5% Preferred and Warrants shall include warrants issuable upon conversion of the 5% Preferred):

RESOLVED that, in connection with those certain 5% Preferred Stock Investment Agreements dated April 24, 1997 by and among the Corporation and certain investors (the "Securities Purchase Agreements"), there shall be a series of shares of the Preferred Stock of the Corporation designated "5% Adjustable Convertible Class "C" Preferred Stock"; that the number of shares of such series shall be 17,200 and that the rights and preferences of such series (referred to herein as the "5% Preferred" or "Shares") and the limitations or restrictions thereon, and the rights and terms of the stock purchase warrants ("Warrants") issuable upon conversion of the 5% Preferred, shall be as follows (as used herein, unless the context otherwise requires, shares of 5% Preferred shall include shares of 5% Preferred issuable as dividends on shares of 5% Preferred and Warrants shall include warrants issuable upon conversion of the 5% Preferred):

1. DIVIDENDS.

(a) The holders of the 5% Preferred shall be entitled to receive out of any assets legally available therefor cumulative dividends at the rate of $50 per share per annum, payable commencing September 30, 1997 and thereafter quarterly on December 31, March 31, June 30 and September 30 of each year, when and as declared by the Board of Directors, in preference and priority to any payment of any dividend on the common stock of the Corporation, par value $.001 per share ("Common Stock") or any other class or series of stock of the Corporation ranking junior to the 5% Preferred. Such dividends shall accrue on any given share from the day of original issuance of such share and shall accrue from day to day whether or not earned or declared. If at any time dividends on the outstanding 5% Preferred at the rate set forth above shall not have been paid or declared and set apart for payment with respect to all preceding periods, the amount of the deficiency shall be fully paid or declared and set apart for payment, but without interest, before any distribution, whether by way of dividend or otherwise, shall be declared or paid upon or set apart for the shares of any other class or series of stock of the Corporation except a class or series which is entitled to priority as to dividends over the 5% Preferred.

(b) Dividends shall be paid in shares of 5% Preferred valued at $1000 per share (fractional Shares to be paid in cash) or, at the option of the Corporation upon 10 days advance notice to the holders of the 5% Preferred, in cash.

(c) If on any dividend payment date all the shares of Common Stock issuable upon conversion of the 5% Preferred then outstanding and to be issued as a dividend on such dividend payment date and upon exercise of the Warrants whether outstanding or issuable upon conversion thereof are not registered under the Securities Act of 1933 or if there is not then available for delivery upon resale of such shares of Common Stock a prospectus meeting the requirements of said Act and the rules thereunder or if the Common Stock is not listed or designated for quotation for trading on at least one of the NASDAQ Small Cap Market (the "NSCM"), the NASDAQ National Market (the "NNM"), the New York Stock Exchange (the "NYSE") or the American Stock Exchange (the "AMEX") or any such shares of Common Stock are not authorized for trading thereon, or if the Common Stock is not then registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934, then such dividend may only be paid in cash.

2. LIQUIDATION PREFERENCE AND CERTAIN REDEMPTIONS.

(a) In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of the 5% Preferred shall be entitled to receive, prior and in preference to any distribution of any assets of the Corporation to the holders of the Common Stock or any other class or series of shares except any class or series which is entitled to priority as to liquidation payments over the 5% Preferred, the amount of $1000 per share plus any accrued but unpaid dividends, whether or not declared (the "Liquidation Preference").

(b)(i) In the event (each of the events described in clauses (A)-(F) below after expiration of the applicable cure period (if any) being a "REDEMPTION EVENT"):

(A) the Common Stock is suspended from trading on any of, or is not listed or designated for quotation (and authorized) for trading on at least one of, the NYSE, the AMEX, the NNM or the NSCM for an aggregate of ten (10) trading days in any nine (9) month period,

(B) the registration statement required to be filed by the Corporation pursuant to Section 2(a) or 3(b) of the Registration Rights Agreement, dated as of April 24, 1997, by and among the Corporation and the other signatories thereto (the "REGISTRATION RIGHTS AGREEMENT"), has not been declared effective by the 180th day following the Closing Date (as defined in the Securities Purchase Agreements) or any such registration statement, after being declared effective, cannot be utilized by the holders of 5% Preferred for the resale of all of their Registrable Securities (as defined in the Registration Rights Agreement) for an aggregate of more than thirty (30) days in any twelve month period,

(C) the Corporation fails, and any such failure continues uncured for five (5) business days after the Corporation has been notified thereof in writing by the holder, to remove any restrictive legend on any certificate or any shares of Common Stock issued to the holders of 5% Preferred upon conversion of the 5% Preferred as and when required by the terms of these 5% Preferred, the Securities Purchase Agreements or the Registration Rights Agreement or any certificate or any shares of Common Stock issued to the holders of the Warrants upon exercise of the Warrants as and when required by the terms of the Warrants, the Securities Purchase Agreement or the Registration Rights Agreement,

(D) the Corporation fails to issue shares of Common Stock to any holder of 5% Preferred upon conversion in accordance with the terms of these 5% Preferred or to any holders of Warrants upon exercise in accordance with the terms of such Warrants or provides notice to any holder of 5% Preferred or Warrants, including by way of public announcement, at any time, of its intention not to issue shares of Common Stock to any holder of 5% Preferred upon conversion in accordance with the terms of these 5% Preferred or to any holder of Warrants upon exercise of such Warrants (other than due to the circumstances contemplated by Section 4(i) hereof, for which the holders shall have the remedies set forth in such Section),

(E) Mr. Lon H. Stone shall cease to be an officer or director of the Corporation within 18 months of the Closing Date, or

(F) 50% or more of the Common Stock is directly or indirectly owned or controlled by a single individual or entity or their affiliates, then, upon the occurrence of each and any such Redemption Event, the Corporation shall promptly provide each holder of shares of 5% Preferred with written notice of the occurrence of such Redemption Event, which notice shall contain the Corporation's irrevocable election as to whether it will exercise its right to issue Common Stock in lieu of any redemption provided for in this Section 2. From and after the date of the Redemption Event (whether or not the Corporation has complied with the notice requirements set forth above) each holder of shares of 5% Preferred shall have the option, exercisable in whole or in part at any time and from time to time by delivery of a Redemption Notice (as defined in Paragraph (iii) below) to the Corporation (which notice may be revoked by any holder if the Corporation elects to issue Common Stock with respect thereto pursuant to paragraph (iv) below), to require the Corporation to purchase any or all of the then outstanding shares of 5% Preferred held by such holder for an amount in cash per share equal to the Redemption Amount (as defined in Paragraph (ii) below) in effect at the time of the redemption hereunder, subject, however, to the extent permitted by Paragraph (iv) below, to the right of the Corporation to instead convert each share of 5% Preferred specified in such Conversion Notice into a number of shares of Common Stock equal to the Redemption Number (as defined in Paragraph (ii) below) in effect at the time of such conversion. For the avoidance of doubt, the occurrence of any event described in clauses (A), (B), (D), (E) or (F) above shall immediately constitute a Redemption Event and there shall be no cure period.

(ii) Definition of Redemption Amount and Number. The "REDEMPTION AMOUNT" with respect to a share of 5% Preferred means an amount equal to:

$$\frac{1{,}000 + P}{C\ P} \quad X\ M$$

The "REDEMPTION NUMBER" with respect to a share of 5% Preferred means:

$$\frac{1{,}000 + P}{L\ C\ P}$$

where:

"P" means the accrued dividends, whether or not declared, on such share of 5% Preferred through the date of redemption or conversion, as the case may be (assuming such dividends would be paid in cash);

"CP" means the Conversion Price (as herein defined) in effect on the date of the Redemption Notice;

"LCP" means lowest Conversion Price (using an Applicable Percentage (as herein defined) of 27%) during the period beginning on the date of the Redemption Notice and ending on the date of redemption or conversion, as the case may be, or, if then in effect and lower, the Conversion Cap (as herein defined); and

"M" means the highest closing bid price (as herein defined) of the Corporation's Common Stock during the period beginning on the date of the Redemption Notice and ending on the date of the redemption or conversion, as the case may be.

(iii) Redemption Defaults. If the Corporation fails to pay any holder the Redemption Amount with respect to any share of 5% Preferred within five (5) business days of its receipt of a notice requiring such redemption (a "REDEMPTION NOTICE"), then the holder of 5% Preferred delivering such Redemption Notice (x) shall be entitled to interest on the Redemption Amount at a per annum rate equal to the lower of twenty-four percent (24%) or the highest rate permitted by applicable law from the date of the Redemption Notice until the date of redemption hereunder, and (y) shall have the right, at any time and from time to time, to require the Corporation, upon written notice, to immediately convert (in accordance with the terms of Section 4 hereof) all or any portion of the Redemption Amount, plus interest as aforesaid, into shares of Common Stock at the lowest Conversion Price in effect during the period beginning on the date of the Redemption Notice and ending on the Conversion Date with respect to the conversion of such Redemption Amount.

(iv) Within five (5) business days after its receipt of a Redemption Notice and subject to the limitations of Section 10 hereof, the Corporation may, in lieu of the redemption required pursuant to Section 2(b)(i), issue Common Stock with respect to shares of 5% Preferred sought to be redeemed pursuant to Section 2(b)(i) with respect to the Redemption Events specified in paragraphs A, B (only where the delay or inability to use is caused by a stop order threatened or issued, or other similar action taken, by the SEC or its staff), E and F above. Notwithstanding the foregoing, the Corporation may not elect to use Common Stock to effect such a redemption unless the notice requirements of paragraph (i) above have been complied with, unless all holders of 5% Preferred electing to be redeemed pursuant to paragraph (i) above receive the Common Stock with respect to such Redemption Event, unless all shares of Common Stock issuable upon conversion of the 5% Preferred and upon exercise of the Warrants whether outstanding or issuable upon conversion thereof are registered under the Securities Act of 1933, unless there is available for delivery upon resale of such shares of Common Stock a prospectus meeting the requirements of said Act and the rules thereunder, unless all such shares are eligible to be traded on either the NNM, NSCM, the NYSE or the AMEX and unless the Common Stock is then registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934. In the event the Corporation elects to issue Common Stock in accordance with the foregoing, the restrictions on the sale of Common Stock contained in Section 3.3 of the Securities Purchase Agreements shall be of no further force or effect. If the limitations contained in Section 10 hereof apply, then the Corporation shall not be required to pay any cash in respect of a redemption of shares of 5% Preferred which are not converted as a result of such limitation.

(v) In the event the Corporation is not at any time able to redeem all of the shares of 5% Preferred subject to Redemption Notices, the Corporation shall redeem shares of 5% Preferred from each holder pro rata, based on the total number of shares of 5% Preferred in all of the Redemption Notices.

3. MANDATORY CONVERSION.

(a) Subject to the limitations of Section 10 hereof and the remaining provisions of this Section 3(a), at any time more than 12 months after the closing date, the Corporation may require that all of the shares of 5% Preferred be converted (a "Required Conversion") by irrevocably giving notice ("Notice of Required Conversion") to the holders of the 5% Preferred specifying the date of required conversion (the "Required Conversion Date") and the place for delivery of certificates upon conversion. Such Notice shall comply with the requirements of paragraph (i) of this Section 3(a) and shall be mailed, first class postage prepaid, by the Corporation to each holder of record of the 5% Preferred at the address last shown on the records of the Corporation for such holder and shall be transmitted by telecopy (facsimile) transmission at least 20 trading days and no more than 30 trading days in advance of the Required Conversion Date.

(i) A Notice of Required Conversion may not be given unless Common Stock equal to 150% of the number of shares of Common Stock issuable upon conversion of the 5% Preferred and upon exercise of the Warrants whether outstanding or issuable upon conversion thereof are reserved for issuance to holders of the 5% Preferred and are registered for resale by the holders (determined separately for each holder) under the Act, and there is available for delivery upon resale of such shares of Common Stock a prospectus meeting the requirements of said Act and the rules thereunder and such shares are eligible to be traded on either the NNM, the NSCM, the NYSE or the AMEX and the Common Stock is then registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934.

(ii) The Conversion Price upon Required Conversion shall be 73% of the average of the low trading prices on the five trading days immediately preceding the Required Conversion Date or, if in effect and lower, the Conversion Cap; provided, that if the Required Conversion Date is within 10 trading days after an underwritten public offering of equity securities of the Corporation, the Conversion Price shall be determined as of the Required Conversion Date in accordance with Section 4(d) and (e) below. The terms "low trading price" and "trading day" have the meanings given them in Section 4(d) hereof.

(iii) Not later than the Required Conversion Date each holder of 5% Preferred shall surrender to the Corporation the certificate or certificates representing the shares of 5% Preferred held by such holder at the place designated by the Corporation in the Notice of Required Conversion, and the Corporation shall deliver to such holder within two business day thereafter (three business days if the address for delivery is an offshore address) the certificates representing the Common Stock and Warrants to which such holder is entitled upon conversion, subject, however, to receipt of duly endorsed certificates for the shares of 5% Preferred being so converted.

(iv) After receipt of a Notice of Required Conversion and prior to the Required Conversion Date holders shall be free to convert their shares of 5% Preferred in accordance with the optional conversion provisions of Section 4 hereof with the Conversion Price determined at an Applicable Percentage of 27.0% or, if lower, at the Conversion Cap.

(v) From and after delivery by the Corporation of a Notice of Required Conversion, the sales limitations contained in Section 3.3 of the Securities Purchase Agreements shall be of no further force and effect.

(b) On the fifth anniversary of the closing date, all then outstanding shares of 5% Preferred shall be automatically converted at the Conversion Price on such anniversary date and otherwise pursuant to the applicable provisions set forth in Section 4(c) and (d) and (e) hereof at an Applicable Percentage of 27.0% or, if lower, at a Conversion Price equal to the Conversion Cap; provided, however, that the holders of such 5% Preferred are not required to deliver a Notice of Required Conversion or any other notice to the Corporation.

4. CONVERSION. The holders of the 5% Preferred shall have optional conversion rights as follows:

(a) Commencement of Conversion Rights. Commencing on the day after the fifth month anniversary of the closing date, the shares of 5% Preferred shall become convertible.

(b) Right to Convert.

(i) At and after the time it has become convertible, each share of 5% Preferred shall be convertible, at the option of the holder thereof, into (A) such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (1) the Liquidation Preference of such 5% Preferred share determined pursuant to Section 2 hereof on the date the notice of conversion is given, by (2) the Conversion Price determined as hereinafter provided in effect on said date; and, in addition to such shares of Common Stock, (B) Warrants to purchase one-fourth of the number of shares of Common Stock determined pursuant to the foregoing clause (A).

(ii) Notwithstanding anything to the contrary contained herein, the Shares shall not be convertible by a holder hereof to the extent (but only to the extent) that, if convertible by such holder, such holder would beneficially own in excess of 4.9% of the outstanding shares of Common Stock (or such other percentage indicated on the signature page to, or otherwise applicable to such holder pursuant to, the Securities Purchase Agreements). To the extent the above limitation applies, the determination of whether Shares shall be convertible (vis-a-vis other securities owned by such holder) and of which Shares shall be convertible shall be in the sole discretion of the holder thereof and submission of shares of 5% Preferred for conversion shall be deemed to be the holder's determination of whether such Shares are convertible and of which Shares are convertible, subject to such aggregate percentage limitation. No prior inability to convert Shares pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of convertibility. For the purposes of this provision, beneficial ownership and all calculations, including without limitation, with respect to calculations of percentage ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13 D and G thereunder (collectively "Section 13(d)"). The provisions of this Section may be waived and/or implemented in a manner otherwise than strictly in conformity with the foregoing provisions of this Section 4(b)(ii) with the approval of the Board of Directors of the Corporation and the holders of three quarters in interest in the then outstanding Shares and Warrants (voting together as a single class): (i) with respect to any matter to cure any ambiguity herein, to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended 4.9% beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such 4.9% limitation; and (ii) with respect to any other matter, with the further consent of the holders of a majority of the then outstanding shares of Common Stock. The limitations contained in this paragraph shall apply to a successor holder of Shares if, and to the extent, elected by such successor holder concurrently with its acquisition of such Shares, such election to be promptly confirmed in writing to the Corporation (provided no transfer or series of transfers to a successor holder or holders shall be used by a holder to evade the limitations contained in this paragraph).

(c) Mechanics of Conversion. To convert shares of 5% Preferred into shares of Common Stock and Warrants, the holder shall give written notice to the Corporation in the form of the Notice of Conversion attached to the Securities Purchase Agreements (which notice may be given by facsimile transmission) that such holder elects to convert the same and shall state therein the number of Shares to be converted and the name or names in which such holder wishes the certificate or certificates for shares of Common Stock and Warrants to be issued. Promptly thereafter the holder shall surrender the certificate or certificates representing the Shares to be converted, duly endorsed (with signatures guaranteed in case of transfer to another name), at the office of the transfer agent for the shares of Common Stock, or at such other reasonable place as may be designated in writing by the Corporation. Upon receipt by the Corporation of a facsimile copy of such notice of conversion from a holder of shares of 5% Preferred, the Corporation shall forthwith send, via facsimile, a confirmation of receipt of such Notice of Conversion to such holder, which shall specify that the Notice of Conversion has been received and the name and telephone number of a contact person at the Corporation whom the holder should contact regarding information related to such conversion. In the case of a dispute as to the calculation of the Conversion Price, the Corporation shall promptly issue to the holder the number of shares of Common Stock that is not disputed and shall submit the disputed calculations to its outside accountant via facsimile within two (2) days of receipt of such Notice of Conversion. The Corporation shall cause the accountant to perform the calculations and notify the Corporation and the holder of the results no later than forty-eight (48) hours from the time it receives the disputed calculations. Such accountant's calculation shall be deemed conclusive absent manifest error. The Corporation shall, immediately upon receipt of such facsimile Notice of Conversion, cause to be prepared for issue and delivery to or upon the order of such holder, against delivery of the certificates representing the Shares which have been converted, a certificate or certificates for the number of shares of Common Stock, and the Warrant certificate to which such holder shall be entitled. Upon delivery of such duly endorsed Share certificates, the Corporation shall effect such issuance immediately and shall on the same day (if such duly endorsed certificate is delivered by 12:00 noon Pacific Time) or the next business day (if such duly endorsed certificate is delivered after 12:00 noon Pacific Time) transmit the certificates by messenger or nationally (or internationally, as the case may be) recognized overnight delivery service to reach the address designated by such holder within one business day (two business days for addresses outside of the United States) (such time for delivery of share certificates being the "Delivery Period"). Facsimile Notice of Conversion may be given by a holder at any time of day up to 11:59 PM Pacific time, and such conversion shall be deemed to have been made immediately prior to the close of business on the date such Notice of Conversion is given (the "Conversion Date"). The person or persons entitled to receive the shares of Common Stock and Warrants issuable upon such conversion shall be treated for all purposes as the record holder or holders of such securities at the close of business on the Conversion Date.

(d) Determination of Conversion Price.

(i) Subject to paragraph (iii) below, on any Conversion Date, the Conversion Price shall be the average of the low trading price of the Common Stock for the five consecutive trading days (the "Lookback Period") ending with the trading day prior to the Conversion Date, reduced by the Applicable Percentage (as defined below) in effect on the Conversion Date.

(ii) The Applicable Percentage shall escalate and be as follows:

0.0% Starting on the 1st day of the 6th month after the closing date

13% Starting on the 1st day of the 8th month after the closing date

20% Starting on the 1st day of the 10th month after the closing date

22.5% Starting on the 1st day of the 12th month after the closing date

25% Starting on the 1st day of the 14th month after the closing date

27% Starting on the 1st day of the 16th month after the closing date, and thereafter

For purposes of this resolution, the term "months" means calendar months, and when months are measured after the closing date, each such month shall end on a monthly anniversary of the closing date. For example, if the closing date were April 10, 1997, the fifth month after the closing date would end on and would include September 10, 1997, the sixth month after the closing date would commence on September 11, 1997 and end on October 10, 1997, and the twelfth month after the closing date would commence on March 11, 1998 and would end on April 10, 1998.

(iii) At any date after March 24, 1998, the Conversion Price shall be the lower of (x) the Conversion Price calculated in accordance with paragraphs (i) and (ii) above and (y) the average of the closing prices of the Common Stock for the thirty (30) trading days including and immediately preceding March 24, 1998 (such average being the "Conversion Cap").

(iv) The terms "low trading price", "last sale price" and "closing bid price" of the Common Stock on any day shall mean, respectively, (A) the lowest reported sale price, the last reported sale price and the last reported bid price of the Common Stock on the principal stock exchange on which the Common Stock is listed, or (B) if the Common Stock is not listed on a stock exchange, the lowest reported sale price, the last reported sale price and the last reported bid price of the Common Stock on the principal automated securities price quotation system on which sale prices of the Common Stock are reported, or (c) if the Common Stock is not listed on a stock exchange and sale prices of the Common Stock are not reported on an automated quotation system, the lowest bid price, the last bid price and the last bid price for the Common Stock as reported by National Quotation Bureau Incorporated if at least two securities dealers have inserted both bid and asked quotations for the Common Stock on at least five of the ten preceding trading days. If none of the foregoing provisions are applicable, the "low trading price", "last sale price" and the "closing bid price" of the Common Stock on a day will be the fair market value of the Common Stock on that day as determined by a member firm of the New York Stock Exchange, Inc., selected by the Board of Directors of the Corporation and reasonably acceptable to the holders of the majority of the 5% Preferred. The term "trading day" means (x) if the Common Stock is listed on at least one stock exchange, a day on which there is trading on the principal stock exchange on which the Common Stock is listed, (y) if the Common Stock is not listed on a stock exchange but sale prices of the Common Stock are reported on an automated quotation system, a day on which trading is reported on the principal automated quotation system on which sales of the Common Stock are reported, or (z) if the foregoing provisions are inapplicable, a day on which quotations are reported by National Quotation Bureau Incorporated. The "closing price" of the Common Stock on any day means the "last sale price" as defined above.

(v) In the event that during any period of consecutive trading days provided for above, the Corporation shall declare or pay any dividend on the Common Stock payable in Common Stock or in rights to acquire Common Stock, or shall effect a stock split or reverse stock split, or a combination, consolidation or reclassification of the Common Stock, then the Conversion Price and (if such event occurs during the thirty (30) trading days referred to in paragraph (iii) next above) the Conversion Cap shall be proportionately decreased or increased, as appropriate, to give effect to such event. If such an event occurs after March 24, 1998, the Conversion Cap shall be proportionately decreased or increased to give effect to such event.

(e) Certain Adjustments. (i) If the Corporation shall declare or make any distribution of its assets (or rights to acquire its assets) to holders of Common Stock as a partial liquidating dividend, by way of return of capital or otherwise (including any dividend or distribution to the Corporation's shareholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary (i.e. a spin-off)) (a "Distribution"), then the holders of 5% Preferred shall also be entitled, upon any conversion of shares of 5% Preferred after the date of record for determining shareholders entitled to such Distribution, to receive the kind and amount of such assets which would have been payable to the holder with respect to the shares of Common Stock issuable upon such conversion (without giving effect to any of the provisions contained herein or in the Securities Purchase Agreement which limit or restrict conversion of Shares) had such holder been the holder of such shares of Common Stock on the record date for the determination of shareholders entitled to such Distribution.

(ii) In the event the Corporation (i) makes a public announcement that it intends to consolidate or merge with any other entity (other than a merger in which the Corporation is the surviving or continuing entity and its capital stock is unchanged and there is no distribution thereof) or to sell or transfer all or substantially all of the assets of the Corporation or (ii) any person, group or entity (including the Corporation) publicly announces a tender offer to purchase 50% or more of the Common Stock (the date of the announcement referred to in clause (i) or (ii) of this paragraph (ii) is hereinafter referred to as the "Announcement Date"), then the Conversion Price shall, effective upon the Announcement Date and continuing through the consummation of the proposed tender offer or transaction or the Abandonment Date (as defined below), be equal to the lower of (x) the Conversion Price calculated in the manner provided in Section 4(d) and 4(e), and (y) the Conversion Price which would have been applicable for an Optional Conversion occurring on the Announcement Date. From and after the Abandonment Date, as the case may be, the Conversion Price shall be determined as set forth in Sections 4(d) and 4(e) hereof. "Abandonment Date" means with respect to any proposed transaction or tender offer for which a public announcement as contemplated by this paragraph (ii) has been made, the date which is seven trading days after the date upon which the Corporation (in the case of clause (i) above) or the person, group or entity (in the case of clause (ii) above) publicly announces the termination or abandonment of the proposed transaction or tender offer which causes this paragraph to become operative. Without implication that the contrary would otherwise be true, the provisions of this paragraph (ii) shall not apply with respect to that certain share exchange involving Peregrine Pharmaceutical Inc. as described in the Securities Purchase Agreements.

(f) Certificates as to Adjustments. Upon the occurrence of any adjustment or readjustment of the Conversion Price or the Conversion Cap pursuant to this Section 4, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and cause independent public accountants selected by the Corporation to verify such computation and prepare and furnish to each holder of 5% Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, upon the written request at any time of any holder of 5% Preferred, furnish or cause to be furnished to such holder a like certificate prepared by the Corporation setting forth (i) such adjustments and readjustments, and (ii) the number of other securities and the amount, if any, of other property which at the time would be received upon the conversion of 5% Preferred with respect to each share of Common Stock received upon such conversion.

(g) Notice 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 (other than a non-extraordinary cash dividend) or other distribution, any security or right convertible into or entitling the holder thereof to receive additional shares of Common Stock, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, the Corporation shall mail to each holder of 5% Preferred at least 10 days prior to the date specified therein, a notice specifying the date on which any such record is to be taken for the purpose of such dividend, distribution, security or right and the amount and character of such dividend, distribution, security or right.

(h) Issue Taxes. The Corporation shall pay any and all issue and other taxes, excluding any income, franchise or similar taxes, that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of shares of 5% Preferred pursuant hereto; provided, however, that the Corporation shall not be obligated to pay any transfer taxes resulting from any transfer requested by any holder in connection with any such conversion.

(i) Reservation of Stock Issuable Upon Conversion. (A) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purposes of effecting the conversion of the shares of the 5% Preferred and allowing the exercise of the Warrants, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all shares of the 5% Preferred (including shares of 5% Preferred issuable as dividends on shares of 5% Preferred) and the exercise of the Warrants (including Warrants issuable upon conversion of the 5% Preferred) (the "Reserved Amount"), and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient for such purposes, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite Board of Directors and shareholder approval. The Reserved Amount shall be allocated to the holders of 5% Preferred as provided in this paragraph (i).

(B) Upon adoption of this Certificate of Designation by the Corporation's Board of Directors, the Corporation shall have reserved 15,500,000 (the "Initial Reserved Amount") authorized but unissued shares of Common Stock for issuance upon conversion of the 5% Preferred and exercise of the Warrants issuable upon conversion thereof. Subject to paragraphs (A) and (C) of this paragraph (i), the Initial Reserved Amount shall be reduced to the extent that the total amount of Common Stock issuable upon conversion of the Shares or the exercise of the Warrants (including Warrants issuable upon conversation of 5% Preferred) is reduced by the exercise or conversion, as the case may be, of such securities.

(C) Without limiting any of the foregoing, commencing October 1, 1997, if the Reserved Amount for any three (3) consecutive trading days (the last of such three (3) trading days being the "Authorization Trigger Date") shall be less than 150% of the number of shares of Common Stock issuable upon conversion of all shares of 5% Preferred (including shares of 5% Preferred which are issued as dividends on shares of 5% Preferred and shares of 5% Preferred issuable with respect to then accrued and unpaid dividends) and the exercise of all Warrants (including Warrants to be issuable upon conversion of the 5% Preferred) on such trading days, the Corporation shall immediately notify the holders of 5% Preferred and the Warrants of such occurrence and shall take immediate action (including seeking shareholder approval to authorize the issuance of additional shares of Common Stock) to increase the Reserved Amount to 150% of such number of shares of Common Stock. In the event the Corporation fails to so increase the Reserved Amount within ninety (90) days after an Authorization Trigger Date, each holder of 5% Preferred Stock shall thereafter have the option, exercisable in whole or in part at any time and from time to time by delivery of a Redemption Notice (as defined in Section 2(b)) to the Corporation, to require the Corporation to purchase for cash, in accordance with Section 2(b) as if the service of such Redemption Notice constituted a Redemption Event with respect to the Shares required to be purchased hereunder and as to which the Corporation could elect to make the required redemption with Common Stock under such Section 2(b), a portion of the holder's 5% Preferred such that, after giving effect to such purchase, the holder's allocated portion of the Reserved Amount exceeds 150% of such total number of shares of Common Stock allocable to such holder. If the Corporation fails to redeem any of such Shares within five (5) business days after its receipt of a Redemption Notice, then such holder shall be entitled to the remedies provided in Section 2(b)(iii) as if such failure constituted a Redemption Default.

(D) The Initial Reserved Amount, the Reserved Amount and each increase to the Reserved Amount shall be allocated pro rata among the holders of 5% Preferred based on the number of shares of 5% Preferred and Warrants held by each holder at the time of the establishment of or increase in the Initial Reserved Amount or Reserved Amount, as the case may be. In the event a holder shall sell or otherwise transfer any of such holders shares of 5% Preferred or Warrants, each transferee shall be allocated a pro rata portion of such transferor's Initial Reserved Amount or Reserved Amount. Any portion of the Initial Reserved Amount or Reserved Amount which remains allocated to any person or entity which does not hold any 5% Preferred Stock or Warrants shall be allocated to the remaining holders of shares of 5% Preferred Stock and Warrants, pro rata on the number of shares of 5% Preferred and Warrants then held by such holders.

(j) Fractional Shares. No fractional shares or fractional Warrants shall be issued upon the conversion of any share or shares of 5% Preferred. All shares of Common Stock and Warrants (including fractions thereof) issuable upon conversion of more than one share of 5% Preferred by a holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of a fraction of a share of Common Stock or a fractional Warrant, the Corporation shall, in lieu of issuing any such fraction, pay the holder otherwise entitled to such fraction a sum in cash equal to the fair market value of such fraction on the date of conversion (as determined in good faith by the Board of Directors of the Corporation).

(k) Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be effective (a) upon hand delivery or delivery by telecopy or facsimile at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be the addresses set forth for the applicable party in the Securities Purchase Agreements. Any party entitled to notice hereunder may from time to time change its address for notices by giving at least 10 days' written notice of such changed address to the other parties subject to the notice provisions hereof. This paragraph shall not affect the provisions of Section 4 hereof with respect to conversion and the mechanics thereof.

(l) Reorganization or Merger. In case of any reorganization or any reclassification of the capital stock of the Corporation or any consolidation or merger of the Corporation with or into any other corporation or corporations or a sale of all or substantially all of the assets of the Corporation to any other person, then, as part of such reorganization, consolidation, merger or sale, provision shall be made so that each share of 5% Preferred shall thereafter be convertible into the number of shares of stock or other securities or property (including cash) to which a holder of the number of shares of Common Stock issuable upon conversion of such share of 5% Preferred (including shares of Common Stock issuable upon exercise of Warrants issuable upon conversion of such share of 5% Preferred) would have been entitled upon the record date of (or date of, if no record date is fixed) such event (without giving effect to any of the provisions contained herein or in the Securities Purchase Agreement or the Warrants which limit or restrict conversion of Shares or exercise of Warrants) and, in any case, appropriate adjustment (as determined by the Board of Directors) shall be made in the application of the provisions herein set forth with respect to the rights and interests thereafter of the holders of the 5% Preferred, to the end that the provisions set forth herein shall thereafter be applicable, as nearly as equivalent as is practicable, in relation to any shares of stock or the securities or property (including cash) thereafter deliverable upon the conversion of the shares of 5% Preferred.

(m) Conversion Default Payments. If, at any time, (x) a holder of shares of 5% Preferred submits a Notice of Conversion and the Corporation fails for any reason (other than because such issuance would exceed such holder's allocated portion of the Reserved Amount, for which failure the holders shall have the remedies set forth in Section 4(i)) to deliver, on or prior to the fourth business day following the expiration of the Delivery Period for such conversion, the shares of Common Stock to which such holder is entitled upon such conversion, or (y) the Corporation provides notice to any holder of 5% Preferred at any time of its intention not to issue shares of Common Stock upon exercise by any holder of its conversion rights in accordance with the terms of these 5% Preferred other than because such issuance would exceed such holder's allocated portion of the Reserved Amount (each of (x) and (y) being a "Conversion Default"), then the Corporation shall pay to the affected holder, in the case of a Conversion Default described in clause (x) above, and to all holders of 5% Preferred, in the case of a Conversion Default described in clause (y) above, payments for the first ten (10) business days following the expiration of the Delivery Period, in the case of a Conversion Default described in clause (x), and for the first ten (10) business days of any other Conversion Default, an amount equal to $1,000 per day. In the event any Conversion Default continues beyond such ten (10) business day period, the Corporation shall pay to the applicable holder(s) (consistent with the foregoing) an additional cash amount equal to one percent (1%) per day of the liquidation preference on the Shares submitted for conversion in the case of clause (x) above and of the holder's outstanding shares of 5% Preferred in the case of clause (y) above. In addition, notwithstanding anything to the contrary set forth herein, in the event of a Conversion Default, the Conversion Price with respect to each share of 5% Preferred shall be equal to the lowest Conversion Price (assuming an Applicable Percentage of 27% and, without implication that the contrary would otherwise be true, giving effect to the Conversion Cap, if applicable) on any date from the commencement of such Conversion Default through the date on which such share is actually converted.

(n) Retention of Rights as Holder of Shares of 5% Preferred. If a holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Delivery Period with respect to a conversion of shares of 5% Preferred for any reason, then the Corporation shall, as soon as practicable, return such unconverted shares of 5% Preferred Stock to the holder and (unless the holder otherwise elects to retain its status as a holder of Common Stock) the holder shall be deemed to retain the rights of a holder of shares of 5% Preferred with respect to such Shares. In all cases, the holder shall retain all of its rights and remedies (including, without limitation, the right to receive Conversion Default payments pursuant to paragraph 4(m) above to the extent required thereby as a result of such Conversion Default and any subsequent Conversion Default).

5. OTHER PROVISIONS. For all purposes of this Resolution, the terms "date of issuance" and "closing date" shall mean the day on which shares of the 5% Preferred are first issued by the Corporation, and the terms "trading price", "low trading price", "closing price", "last trade price", and "trading days" shall have the meanings given them in Section 4(d) hereof. Any provision herein which conflicts with or violates any applicable usury law shall be deemed modified to the extent necessary to avoid such conflict or violation.

6. RESTRICTIONS AND LIMITATIONS. So long as any shares of 5% Preferred Stock are outstanding, the Corporation shall not, without first obtaining the prior approval of the holders of at least two-thirds of the then outstanding shares of 5% Preferred:

(a) alter or change the rights preferences or privileges of the 5% Preferred;

(b) alter or change the rights, preferences or privileges of any capital stock of the Corporation so as to affect adversely the 5% Preferred;

(c) create any new class or series of capital stock on parity with or having a preference over the 5% Preferred as to dividends or as to distribution of assets upon liquidation, dissolution or winding up of the Corporation;

(d) increase the authorized number of shares of 5% Preferred;

(e) issue any shares of 5% Preferred other than pursuant to the Securities Purchase Agreements;

(f) redeem or declare or pay any dividend or distribution with respect to the Corporation's Common Stock during the first two years following the closing date or redeem, or declare or pay any cash dividend or distribution on, any capital stock of the Corporation ranking junior to the 5% Preferred as to dividends or as to distribution of assets upon liquidation, dissolution or winding up of the Corporation (including the Common Stock); or

(g) enter into (or agree to enter into) a consolidation or merger of the Corporation with or into any other corporation or corporations, or a sale of all or substantially all of the assets of the Corporation.

If holders of at least two-thirds of the then outstanding shares of 5% Preferred agree to allow the Corporation to alter or change the rights, preferences or privileges of the shares of 5% Preferred pursuant to subsection (a) above, then the Corporation shall deliver notice of such approved change to the holders of the 5% Preferred that did not agree to such alteration or change (the "Dissenting Holders") and the Dissenting Holders shall have the right, for a period of thirty (30) days, to convert all of their shares of 5% Preferred pursuant to the terms of these 5% Preferred as they existed prior to such alteration or change or to continue to hold their shares of 5% Preferred.

7. VOTING RIGHTS. Except as provided herein or as provided for by law, the 5% Preferred shall have no voting rights.

8. ATTORNEYS' FEES . Any holder of 5% Preferred shall be entitled to recover from the Corporation the reasonable attorneys' fees and expenses incurred by such holder in connection with enforcement by such holder of any obligation of the Corporation hereunder.

9. LOST OR STOLEN CERTIFICATES . Upon receipt by the Corporation of (i) evidence of the loss, theft, destruction or mutilation of any certificate(s) for the 5% Preferred and (ii)(y) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to the Corporation, or (z) in the case of mutilation, upon surrender and cancellation of the certificate(s) for the 5% Preferred, the Corporation shall execute and deliver new certificate(s) for the 5% Preferred of like tenor and date. However, the Corporation shall not be obligated to reissue such lost or stolen Certificate(s) if the holder contemporaneously requests the Corporation to convert all such shares 5% Preferred covered by such certificate(s).

10. SPECIAL LIMITATIONS. Notwithstanding anything to the contrary contained herein, shares of 5% Preferred shall not be convertible pursuant to Sections 2(b) or 3 hereof to the extent that, if converted with respect to a holder thereof, such holder would beneficially own in excess of 4.9% of the outstanding shares of Common Stock. To the extent the above limitation applies, the determination of whether Shares shall be convertible (vis-a-vis other securities owned by such holder) and of which Shares shall be convertible shall be in the sole discretion of the holder thereof and submission of shares of 5% Preferred for conversion shall be deemed to be the holder's determination of whether Shares are convertible (vis-a-vis other securities owned by such holder) and of which Shares are convertible, subject to such aggregate percentage limitation. No prior inability to convert Shares pursuant to this paragraph shall have any effect on the applicability of the provisions of this paragraph with respect to any subsequent determination of convertibility. For the purposes of this Section, beneficial ownership and all calculations, including without limitation, with respect to calculations of percentage ownership shall be determined in accordance with Section 13(d). The provisions of this Section may be waived and/or implemented in a manner otherwise than strictly in conformity with the foregoing provisions of this Section 10 with the approval of the Board of Directors of the Corporation and the holders of three quarters in interest in the then outstanding Shares and Warrants (voting together as a single class):

(i) with respect to any matter to cure any ambiguity herein, to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended 4.9% beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such 4.9% limitation; and

(ii) with respect to any other matter, with the further consent of the holders of a majority of the then outstanding shares of Common Stock. A holder of Shares shall not take unreasonable actions for the intended primary purpose of causing the Corporation to be unable to convert Shares as a result of the limitations contained within this Section 10.

11. SPECIFIC ENFORCEMENT. No provision of this Certificate of Designation providing for any remedy to a holder of 5% Preferred shall limit any remedy which would otherwise be available to such holder at law or in equity. Irreparable damage would occur in the event that any of the provisions of this Certificate of Designation or the other agreements, documents or instruments contemplated hereby (collectively, the "Transaction Documents") were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each holder of shares of 5% Preferred shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of the Transaction Documents and to enforce specifically the terms and provisions thereof, this being in addition to any other remedy to which each holder of shares of 5% Preferred may be entitled by law or equity. No provision of any Transaction Documents providing for any remedy to a holder of shares of 5% Preferred shall limit any remedy which would otherwise be available to such holder at law or in equity.

12. TRANSFERABILITY. The Shares may be transferred by the holder pursuant to an exempt transaction (and the holder shall not be required to provide the Corporation with an opinion of counsel in the case of a transfer to an affiliate) or pursuant to a registration statement under the Act.

13. WARRANTS. The terms and conditions of the Warrants and the form of certificates representing the Warrants shall be as attached hereto."

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Designation of 5% Adjustable Convertible Class C Preferred Stock to be duly executed by its Chief Financial Officer and Secretary this 22nd day of April, 1997.

TECHNICLONE CORPORATION

By: /s/ William V. Moding
William V. Moding, Chief Financial Officer
and Secretary

STOCK PURCHASE WARRANT

WARRANT TO PURCHASE _____ SHARES OF COMMON STOCK

ISSUE DATE: _____

EXPIRATION: UNLESS EARLIER EXERCISED OR TERMINATED AS HEREIN PROVIDED, THIS WARRANT SHALL EXPIRE AT 5:00 PM., PACIFIC TIME, ON THE FIFTH ANNIVERSARY OF THE CLOSING DATE DEFINED IN THE RESOLUTION ESTABLISHING THE PREFERENCES OF THE 5% ADJUSTABLE CONVERTIBLE CLASS "C" PREFERRED STOCK OF THE COMPANY

TECHNICLONE CORPORATION

This certifies that _____, the registered holder hereof or assigns (the "Warrantholder") is entitled to purchase from Techniclone Corporation, a Delaware corporation (the "Company"), at any time after March 24, 1998 and before 5:00 PM Pacific Time on the fifth anniversary of the closing date as defined in Section 5 of the Resolution establishing the preferences of the 5% Adjustable Convertible Class "C" Preferred Stock of the Company (the "Expiration Time") at the purchase price per share determined pursuant to Section 1.4 hereof (the "Warrant Price"), the number of shares shown above. Notwithstanding the foregoing, the Expiration Time shall be extended for 30 days with respect to any Warrants acquired upon conversion of any such shares of Preferred Stock within 30 days prior to such fifth anniversary. The number of shares purchasable upon exercise of this Warrant and the Warrant Price per share shall be subject to adjustment from time to time as set forth below.

SECTION 1. TRANSFERABILITY AND FORM OF WARRANT.

1.1 REGISTRATION . This Warrant shall be numbered and shall be registered on the books of the Company.

1.2 TRANSFER . This Warrant shall be transferable on the books of the Company only upon delivery thereof duly endorsed by the Warrantholder or its duly authorized attorney or representative, accompanied by proper evidence of succession, assignment or authority to transfer. Upon any registration of transfer, the Company shall execute and deliver a new Warrant to the person entitled thereto. This Warrant may be divided or combined, upon request to the Company by the Warrantholder, into a certificate or certificates representing the right to purchase the same aggregate number of shares. Unless the context indicates otherwise, the term "Warrantholder" shall include any transferee or transferees of a Warrant and the term "Warrant" shall include any and all warrants issued upon division, exchange, substitution or transfer of this Warrant.

1.3 FORM OF WARRANT . The Warrant shall be executed on behalf of the Company by its President, Vice President or other authorized officer, and shall be dated as of the date of signature thereof by the Company either upon initial issuance or upon division, exchange, substitution or transfer. A Warrant bearing the signature of an individual who was at any time the proper officer of the Company shall bind the Company, notwithstanding that such individual shall have ceased to hold such office prior to the delivery of such Warrant.

1.4 WARRANT PRICE. The initial purchase price per share at which shares of Common Stock may be purchased upon exercise of this Warrant (the "Warrant Price") shall be 110% of the Conversion Cap as determined pursuant to Section 4(d)(iii) of the Resolution establishing the preferences of the 5% Adjustable Convertible Class "C" Preferred Stock of the Company, as contained in the Certificate of Designations of such Preferred Stock filed by the Company with the Delaware Secretary of State. If this Warrant shall be issued prior to determination of the Warrant Price as aforesaid, upon such determination this Warrant shall be deemed to incorporate the Warrant Price as so determined.

SECTION 2. PAYMENT OF TAXES.

The Company will pay all documentary stamp taxes, if any, attributable to the initial issuance of shares to the Warrantholder; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any secondary transfer of the Warrant or the shares.

SECTION 3. MUTILATED OR MISSING WARRANTS.

In case this Warrant shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Warrantholder, issue and deliver in exchange and substitution for and upon cancellation of the mutilated Warrant, or in lieu of and in substitution for the lost, stolen or destroyed Warrant, a new Warrant of like tenor, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such Warrant. The applicant shall also comply with such other reasonable regulations and pay such other reasonable administrative charges as the Company may prescribe.

SECTION 4. RESERVATION OF SHARES.

There has been reserved, and the Company shall at all times keep reserved so long as this Warrant remains outstanding, out of its authorized shares of capital stock, such number and class of shares as shall be subject to purchase under this Warrant and such reserved shares shall be used solely for issuances upon exercise of this Warrant.

SECTION 5. EXERCISE OF WARRANT.

5.1 EXERCISE. Prior to the Expiration Time the Holder of this Warrant shall have the right at any time and from time to time to exercise this Warrant in full or in part by surrender of this Warrant to the Company accompanied by payment to the Company in cash or by certified or cashier's check or by wire transfer of funds of the aggregate Warrant Price for the number of shares in respect of which this Warrant is then exercised. If the Issue Date is prior to the determination of the Warrant Price, this Warrant may not be exercised until the Warrant Price has been determined. In addition, and notwithstanding anything to the contrary contained in this Warrant, this Warrant may be exercised by presentation and surrender of this Warrant to the Company with a written notice of the holder's intention to effect a cashless exercise, including a calculation of the number of shares of Common Stock to be issued upon such exercise in accordance with the terms hereof (a "Cashless Exercise"). In the event of a Cashless Exercise, in lieu of paying the Warrant Price in cash, the holder shall surrender this Warrant for, and the Company shall issue in respect thereof, that number of shares of Common Stock determined by multiplying the number of shares of Common Stock to which the holder would otherwise be entitled upon a cash exercise hereof by a fraction, the numerator of which shall be the difference between the then Current Market Price (as herein defined) and the Warrant Price, and the denominator of which shall be the then Current Market Price.

5.2 DELIVERY OF CERTIFICATES. Upon exercise of this Warrant the Company shall issue and cause to be delivered with all reasonable dispatch to or upon the written order of the Warrantholder and in such name or names as the Warrantholder may designate, a certificate or certificates for the number of full shares issuable upon such exercise together with cash, as provided in Section 7 hereof, in respect of any fractional shares. The Company shall effect such issuance immediately and shall transmit the certificates by messenger or overnight delivery service to reach the address designated by the Warrantholder within two business days after receipt of the Warrant Price or, in the case of a Cashless Exercise, after the receipt of the Warrant. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such shares as of the date of surrender of the Warrant and, to the extent applicable, payment of the Warrant Price, as aforesaid, notwithstanding that the certificates representing such shares shall not actually have been delivered or that the stock transfer books of the Company shall then be closed. In the event of partial exercise a new Warrant evidencing the remaining portion of this Warrant will be issued by the Company.

SECTION 6. ADJUSTMENT OF WARRANT PRICE AND NUMBER OF SHARES.

6.1 ADJUSTMENTS. The number and kind of securities purchasable upon the exercise of the Warrants and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

(a) In case the Company shall (i) pay a dividend in shares of Common Stock or make a distribution in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock, (iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock or (iv) issue by reclassification of its Common Stock other securities of the Company, the number of shares purchasable upon exercise of the Warrants immediately prior thereto shall be adjusted so that the Warrantholder shall be entitled to receive the kind and number of shares or other securities of the Company which it would have owned or would have been entitled to receive after the happening of any of the events described above, had the Warrants been exercised immediately prior to the happening of such event or any record date with respect thereto. Any adjustment made pursuant to this paragraph (a) shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

(b) In case the Company shall issue rights, options, warrants or convertible securities to all or substantially all holders of its Common Stock, without any charge to such holders, entitling them to subscribe for or to purchase shares of Common Stock at a price per share which is lower at the record date mentioned below than the then Current Market Price (as defined in Section 7), the number of shares thereafter purchasable upon the exercise of the Warrants shall be determined by multiplying the number of shares theretofore purchasable upon exercise of each Warrant by a fraction, of which the numerator shall be (1) the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options or warrants plus (2) the number of additional shares of Common Stock offered for subscription or purchase, and of which the denominator shall be (x) the number of shares of Common Stock outstanding immediately prior to the issuance of such rights, options or warrants plus (y) the number of shares which the aggregate offering price of the total number of shares offered would purchase at the Current Market Price. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective immediately and retroactively after the record date for the determination of shareholders entitled to receive such rights, options or warrants.

(c) In case the Company shall distribute to all or substantially all holders of its shares of Common Stock evidences of its indebtedness or assets (excluding non-extraordinary cash dividends or distributions out of current earnings) or rights, options, warrants or convertible securities containing the right to subscribe for or purchase shares of Common Stock (excluding those referred to in paragraph (b) above), then, in each case, the number of shares thereafter purchasable upon the exercise of the Warrants shall be determined by multiplying the number of shares theretofore purchasable upon exercise of the Warrants by a fraction, of which the numerator shall be the then Current Market Price on the date of such distribution, and of which the denominator shall be such Current Market Price on such date minus the then fair value of the portion of the assets or evidence of indebtedness so distributed or of such subscription rights, options or warrants applicable to one share. Such adjustment shall be made whenever any such distribution is made and shall become effective on the date of distribution retroactive to the record date for the determination of shareholders entitled to receive such distribution.

(d) If, at any time after the initial issuance of this Warrant, any event occurs of the type contemplated by the adjustment provisions of this Section 6.1 but not expressly provided for by such provisions, the Company's Board of Directors will make an appropriate adjustment in the Warrant Price and the number of shares of Common Stock acquirable upon exercise of this Warrant so that the rights of the holder shall be neither enhanced nor diminished by such event.

(e) No adjustment in the number of shares purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of shares then purchasable upon the exercise of a Warrant; provided, however, that any adjustments which by reason of this paragraph (e) are not required to be made immediately shall be carried forward and taken into account in any subsequent adjustment. The adjustments set forth in this Section 6.1 shall be calculated and effected without regard to any limits on exercisability contained herein or in those certain Securities Purchase Agreements dated April 24, 1997 (the "Securities Purchase Agreements").

(f) Whenever the number of shares purchasable upon the exercise of a Warrant is adjusted as herein provided, the Warrant Price payable upon exercise of a Warrant shall be adjusted by multiplying such Warrant Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of shares purchasable upon the exercise of a Warrant immediately prior to such adjustment, and of which the denominator shall be the number of shares so purchasable immediately thereafter.

(g) Whenever the number of shares purchasable upon the exercise of a Warrant or the Warrant Price is adjusted as herein provided, the Company shall cause to be promptly mailed to the Warrantholder by first class mail, postage prepaid, notice of such adjustment or adjustments and a certificate of a firm of independent public accountants selected by the Board of Directors of the Company (who may be the regular accountants employed by the Company) setting forth the number of shares purchasable upon the exercise of a Warrant and the Warrant Price after such adjustment, together with a brief statement of the facts requiring such adjustment and the computation by which such adjustment was made.

(h) The term "Common Stock" shall mean (i) the class of stock designated as the Common Stock of the Company at the issue date of this Warrant or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock. In the event that at any time, as a result of an adjustment made pursuant to this Section, the Warrantholder shall become entitled to purchase any securities other than shares of Common Stock, thereafter the number of such other securities so purchasable upon exercise of the Warrant and the Warrant Price of such securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the shares contained in this Section.

6.2 NO ADJUSTMENT FOR DIVIDENDS. Except as provided in Subsection 6.1, no adjustment in respect of any dividends shall be made during the term of the Warrant or upon the exercise of the Warrant.

6.3 PRESERVATION OF PURCHASE RIGHTS UPON RECLASSIFICATION, CONSOLIDATION, ETC . In case of any reclassification of the securities of the Company or any consolidation of the Company with or merger of the Company into another corporation or in case of any sale or conveyance to another corporation of the property, assets or business of the Company as an entirety or substantially as an entirety, the Company or such successor or purchasing corporation, as the case may be, shall provide by agreement that the Warrantholder shall have the right thereafter upon payment of the Warrant Price in effect immediately prior to such action to purchase upon exercise of the Warrant the kind and amount of shares and other securities and property which he would have owned or have been entitled to receive after the happening of such reclassification, consolidation, merger, sale or conveyance had the Warrant been exercised (without regard to any limitations on exercise contained herein or the Securities Purchase Agreements) immediately prior to such action. Such agreement shall provide for adjustments, which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section. The provisions of this subsection shall similarly apply to successive reclassifications, consolidations, mergers, sales or conveyances.

6.4 STATEMENT ON WARRANT CERTIFICATES . Irrespective of any adjustments in the Warrant Price or the number of securities purchasable upon the exercise of the Warrant, the Warrant certificate or certificates theretofore or thereafter issued may continue to express the same price and number of securities as are stated in the similar Warrant certificates initially issuable pursuant to this Agreement.

SECTION 7. FRACTIONAL INTERESTS; CURRENT MARKET PRICE; CLOSING BID PRICE.

The Company shall not be required to issue fractional shares on the exercise of the Warrant. If any fraction of a share would, except for the provisions of this Section, be issuable on the exercise of the Warrant (or specified portion thereof), the Company shall pay an amount in cash equal to the then Current Market Price multiplied by such fraction. The term "Current Market Price" shall mean (i) if the Common Stock is traded in the over-the-counter market or on the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ"), the average per share closing bid prices of the Common Stock on the 20 consecutive trading days immediately preceding the date in question, as reported by NASDAQ or an equivalent generally accepted reporting service, or (ii) if the Common Stock is traded on a national securities exchange, the average for the 20 consecutive trading days immediately preceding the date in question of the daily per share closing bid prices of the Common Stock on the principal stock exchange on which it is listed, as the case may be, or (iii) if the Common Stock is not so listed or traded, the fair market value of the Common Stock as reasonably determined in good faith by the Board of Directors of the Company. The term "closing bid price" shall mean the last bid price on the day in question as reported by NASDAQ or an equivalent generally accepted reporting service or (as the case may be) as reported by the principal stock exchange on which the Common Stock is listed, or if not so reported, as reasonably determined in good faith by the Board of Directors of the Company.

SECTION 8. NO RIGHTS AS SHAREHOLDER; NOTICES TO WARRANTHOLDER.

Nothing contained herein shall be construed as conferring upon the Warrantholder any rights whatsoever as a shareholder of the Company, including the right to vote, to receive dividends, to consent or to receive notices as a shareholder in respect of any meeting of shareholders for the election of directors of the Company or any other matter. If, however, at any time prior to the expiration of the Warrant and prior to its exercise, any of the following events shall occur:

(a) any action which would require an adjustment pursuant to Sections 6.1 or 6.3 (excluding 6.1(a)(i) and 6.1(a)(ii)); or

(b) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation, merger or sale of its property, assets and business, as an entirety) shall be proposed;

then in any one or more of said events, the Company shall give notice in writing of such event to the Warrantholder at least 20 days prior to the date fixed as a record date or the date of closing the transfer books or other applicable date with respect thereto. Such notice shall specify such record date or the date of closing the transfer books or such other applicable date, as the case may be.

Any notice to the Warrantholder shall be given at the address of the Warrantholder appearing on the books of the Company, and if the Warrantholder has specified a telecopier address, by facsimile transmission to such address.

SECTION 9. REDEMPTION.

At any time after the Warrant Price has been determined, the Company may call this Warrant (together with all other Warrants of like tenor) for redemption at $0.01 per share covered hereby if the closing bid price of the Common Stock for each of the twenty trading days immediately preceding the redemption date has equaled or exceeded 150% of the Warrant Price. Written notice of such call shall be given to the Warrantholder as provided in Section 8 hereof at least 20 days but not more than 30 days prior to the date fixed for redemption by the Company. If on the date fixed for redemption, the conditions specified herein have not been satisfied, such call shall be deemed a nullity and if the Warrantholder has exercised this Warrant on account of such call, such exercise may be rescinded at the election of the Warrantholder. The Company may call this Warrant for redemption only if resale of all of the Common Stock covered hereby is then registered under the Securities Act of 1933 and a current prospectus meeting the requirements of said Act and the rules thereunder is available for delivery by the Warrantholder, and if the Common Stock is listed or designated for quotation for trading on at least one of the NASDAQ Small Cap Market, the NASDAQ National Market, the New York Stock Exchange or the American Stock Exchange, and all such shares of Common Stock are then authorized for trading on one of such exchanges and registered under Section 12(b) or Section 12(g) of the Securities Exchange Act of 1934. Notwithstanding the foregoing, this Warrant may be exercised by the Warrantholder in accordance with Section 5 at any time on or before the date fixed for redemption by the Company. If the Company gives written notice of such call, then the limitations on resale contained in Section 3.3 of the Securities Purchase Agreements shall be of no further force or effect.

SECTION 10. LIMITATION ON EXERCISE.

Notwithstanding anything to the contrary contained herein, this Warrant shall not be exercisable by a holder hereof to the extent (but only to the extent) that, if exercisable by such holder, such holder would beneficially own in excess of 4.9% of the outstanding shares of Common Stock (or such other greater percentage indicated on the signature page to, or otherwise applicable to such holder pursuant to, the Securities Purchase Agreements with respect to such holder). To the extent the above limitation applies, the determination of whether this Warrant shall be exercisable vis-a-vis other securities owned by such holder, and to what extent this Warrant shall be exercised shall be in the sole discretion of the holder and submission of the Warrant for full or partial exercise shall be deemed to be the holder's determination of whether and the extent to which the Warrant is exercisable, in each case subject to such aggregate percentage limitation. No prior inability to exercise the Warrant pursuant to this Section shall have any effect on the applicability of the provisions of this Section with respect to any subsequent determination of exercisability. For the purposes of this provision, beneficial ownership and all calculations, including without limitation, with respect to calculations of percentage ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13 D and G thereunder (collectively "Section 13(d)"). The provisions of this Section may be amended with the approval of the Board of Directors of the Company and the holders of three-quarters in interest in the then outstanding shares of Preferred Stock and Warrants (voting together as a single class): (i) with respect to any matter to cure any ambiguity herein, to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended 4.9% beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such 4.9% limitation; and (ii) with respect to any other matter, with the further consent of the holders of a majority of the then outstanding shares of Common Stock. The limitations contained in this Section shall apply to a successor holder of Warrants if, and to the extent, elected by such successor holder concurrently with its acquisition of such Warrants, such election to be promptly confirmed in writing to the Company (provided no transfer or series of transfers to a successor holder or holders shall be used by a holder to evade the limitations contained in this Section).

SECTION 11. TERMINATION OF WARRANT.

11.1 If not theretofore exercised, this Warrant shall terminate at 5:00 p.m. Pacific time on the date fixed for redemption pursuant to Section 9 hereof if the conditions specified in said Section have been satisfied and the payments required by such Section have been made in full to the Warrantholder by the Company.

11.2 If the Issue Date of this Warrant is later than the date on which redemption of Warrants pursuant to Section 9 hereof has been completed, then this Warrant shall terminate at 5:00 p.m. Pacific time on the 30th day after the Issue Date (or if such 30th day is not a trading day, then on the next following trading day), if (i) the conditions set forth in the penultimate sentence of Section 9 are satisfied, and (ii) the closing bid price of the Common Stock for each of the five trading days preceding the Issue Date equaled or exceeded 150% of the Warrant Price.

SECTION 12. SUCCESSORS.

All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrantholder shall bind and inure to the benefit of their respective successors and assigns hereunder.

SECTION 13. MERGER OR CONSOLIDATION OF THE COMPANY.

The Company will not merge or consolidate with or into any other corporation or sell all or substantially all of its property to another corporation, unless the provisions of Section 6.3 are complied with.

SECTION 14. APPLICABLE LAW, SPECIFIC PERFORMANCE AND CONSENT TO JURISDICTION.

(a) This Warrant shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be construed in accordance with the laws of said State.

(b) The Company and the Warrantholder acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Warrant or the other agreements, documents or instruments contemplated hereby (collectively, the "Transaction Documents") were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of the Transaction Documents and to enforce specifically the terms and provisions thereof, this being in addition to any other remedy to which either of them may be entitled by law or equity. No provision of any Transaction Documents providing for any remedy to a Warrantholder shall limit any remedy which would otherwise be available to such Investor at law or in equity.

Each of Warrantholder (with respect to compliance by the Company with Section 4(2) of the Securities Act of 1933) and the Company (each an "Indemnitor") shall indemnify and hold harmless the other for a breach by the Indemnitor of its representations, warranties or obligations under any of the Transaction Documents.

(c) Each of the Company and the Warrantholder (i) hereby irrevocably submits to the jurisdiction of the United States District Court and other courts of the United States sitting in Delaware and the courts of the State of Delaware for the purposes of any suit, action or proceeding arising out of or relating to this Warrant and (ii) hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Each of the Company and the Warrantholder consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this paragraph shall affect or limit any right to serve process in any other manner permitted by law.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by a duly authorized officer of the Company.

Techniclone Corporation

By: _____

AGREEMENT AND PLAN OF MERGER
OF
TECHNICLONE CORPORATION,
a Delaware Corporation
AND
TECHNICLONE INTERNATIONAL CORPORATION ,
a California Corporation

THIS AGREEMENT AND PLAN OF MERGER, dated as of September 27, 1996 (this "Agreement"), is between TECHNICLONE CORPORATION, a Delaware corporation ("Techniclone Delaware"), and TECHNICLONE INTERNATIONAL CORPORATION, a California corporation ("Techniclone California"), which corporations are sometimes referred to herein as the "Constituent Corporations".

R E C I T A L S

A. Techniclone Delaware is a corporation duly organized and existing under the laws of the State of Delaware and has an authorized capital of 55,000,000 shares, 50,000,000 of which are designated "Common Stock", $.001 par value per share, and 5,000,000 of which are designated "Preferred Stock", $.001 par value per share. As of September 27, 1996, 100 shares of Common Stock were issued and outstanding, all of which were held by Techniclone California. No shares of Preferred Stock were outstanding.

B. Techniclone California is a corporation duly organized and existing under the laws of the State of California and has an authorized capital of 30,100,000 shares, 30,000,000 of which are designated "Common Stock", no par value and 100,000 of which are designated "Preferred Stock", $1.00 par value per share. As of September 27, 1996, 21,391,042 shares of Common Stock were outstanding and 2,900 shares of Class B Convertible Preferred Stock were outstanding.

C. The Board of Directors of Techniclone California has determined that, for the purpose of effecting the reincorporation of Techniclone California in the State of Delaware, it is advisable and in the best interests of Techniclone California and its shareholders that Techniclone California merge with and into Techniclone Delaware upon the terms and conditions herein provided.

D. The respective Boards of Directors of Techniclone Delaware and Techniclone California have approved this Agreement and have directed that this Agreement be submitted to a vote of their respective stockholders and executed by the undersigned officers.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, Techniclone Delaware and Techniclone California hereby agree, subject to the terms and conditions hereinafter set forth, as follows:

I.
MERGER

1.1 MERGER. In accordance with the provisions of this Agreement, the Delaware General Corporation Law and the California General Corporation Law, Techniclone California shall be merged with and into Techniclone Delaware (the "Merger"), the separate existence of Techniclone California shall cease and Techniclone Delaware shall be, and is herein sometimes referred to as, the "Techniclone Delaware", and the name of Techniclone Delaware shall be "TECHNICLONE CORPORATION."

1.2 FILING AND EFFECTIVENESS. The Merger shall become effective when the following actions have been completed:

(a) This Agreement has been adopted and approved by the stockholders of each Constituent Corporation in accordance with the requirements of the Delaware General Corporation Law and the California General Corporation Law;

(b) All of the conditions precedent to the consummation of the Merger specified in this Agreement have been satisfied or duly waived by the party entitled to satisfaction thereof;

(c) An executed Certificate of Merger or an executed counterpart of this Agreement meeting the requirements of the Delaware General Corporation Law has been filed with the Secretary of State of the State of Delaware; and

(d) An executed Certificate of Merger or an executed counterpart of this Agreement meeting the requirements of the California General Corporation Law has been filed with the Secretary of State of the State of California.

The date and time when the Merger shall become effective, as aforesaid, is herein called the "Effective Date of the Merger".

1.3 EFFECT OF THE MERGER. Upon the Effective Date of the Merger, the separate existence and corporate organization of Techniclone California shall cease and Techniclone Delaware, as Techniclone Delaware, shall continue its corporate existence under the laws of the State of Delaware.

II.
CHARTER DOCUMENTS, DIRECTORS AND OFFICERS

2.1 CERTIFICATE OF INCORPORATION. The Certificate of Incorporation of Techniclone Delaware as in effect immediately before the Effective Date of the Merger shall continue in full force and effect as the Certificate of Incorporation of Techniclone Delaware until duly amended or repealed in accordance with the provisions thereof and applicable law.

2.2 BYLAWS. The Bylaws of Techniclone Delaware as in effect immediately before the Effective Date of the Merger shall continue in full force and effect as the Bylaws of Techniclone Delaware until duly amended or repealed in accordance with the provisions thereof and applicable law.

2.3 DIRECTORS AND OFFICERS. The directors and officers of Techniclone California immediately before the Effective Date of the Merger shall be the directors and officers of Techniclone Delaware until the expiration of their current terms and until their successors have been duly elected and qualified, or until their prior resignation, removal or death, subject to the Certificate of Incorporation and the Bylaws of Techniclone Delaware.

III.
MANNER OF CONVERSION OF STOCK

3.1 TECHNICLONE CALIFORNIA SHARES. Upon the Effective Date of the Merger, each share of Techniclone California Common Stock, no par value, issued and outstanding immediately before the Effective Date of the Merger shall by virtue of the Merger and without any action by the Constituent Corporations, by the holder of such shares or by any other person be converted into and exchanged for one fully paid and nonassessable share of Common Stock, $.001 par value, of Techniclone Delaware. Upon the Effective Date of the Merger, each share of Class B Convertible Preferred Stock, $1.00 par value per share, of Techniclone California issued and outstanding immediately before the Effective Date of the Merger shall by virtue of the Merger and without any action by the Constituent Corporations, by the holder of such shares or by any other person be converted into and exchanged for one fully paid and nonassessable share of Class B Convertible Preferred Stock, $0.001 par value, of Techniclone Delaware. No fractional shares, or cash in lieu thereof, shall be issued in the Merger.

3.2 TECHNICLONE CALIFORNIA OPTIONS, STOCK PURCHASE RIGHTS AND CONVERTIBLE SECURITIES. Upon the Effective Date of the Merger, Techniclone Delaware shall assume and continue the 1982 Stock Option Plan, the Incentive Stock Option, Non-Statutory Stock Option and Restricted Stock Purchase Plan - 1986, the Cancer Biologics Incorporated Incentive Stock Option, Nonqualified Stock Option and Restated Stock Purchase Plan - 1987, the Incentive Stock Option and Non-Qualified Stock Option Plan - 1993 and the 1996 Stock Incentive Plan and all other employee benefit plans of Techniclone California. Each outstanding and unexercised option, other right to purchase or security convertible into Techniclone California Common Stock shall become an option, right to purchase or a security convertible into Techniclone Delaware's Common Stock on the basis of one share of Techniclone Delaware's Common Stock for each share of Techniclone California Common Stock issuable pursuant to any such option, stock purchase right or convertible security, under the same terms and conditions, and at an exercise price per share equal to the exercise price per share applicable to any such Techniclone California stock option, stock purchase right or other convertible security at the Effective Date of the Merger. Each Warrant to Purchase Common Stock of Techniclone California shall become a Warrant to Purchase Common Stock of Techniclone Delaware on the basis of one share of Techniclone Delaware for each share of Techniclone California Common Stock issuable pursuant to any such Warrant.

A number of shares of Techniclone Delaware's Common Stock shall be reserved for issuance upon the exercise of stock options, stock purchase rights and convertible securities equal to the number of shares of Techniclone California Common Stock so reserved immediately before the Effective Date of the Merger.

3.3 TECHNICLONE DELAWARE COMMON STOCK. Upon the Effective Date of the Merger, each share of Common Stock, $.001 par value, of Techniclone Delaware issued and outstanding immediately before the Effective Date of the Merger shall, by virtue of the Merger and without any action by Techniclone Delaware, by the holder of such shares or by any other person be canceled and returned to the status of authorized but unissued shares.

IV.
TRANSFER OF ASSETS AND LIABILITIES

4.1 TRANSFER OF ASSETS AND LIABILITIES. On the Effective Date, (i) the rights, privileges, powers and franchises, both of a public as well as of a private nature, of each of the Constituent Corporations shall be vested in and possessed by Techniclone Delaware, subject to all the disabilities, duties and restrictions of or upon each of the Constituent Corporations; (ii) all rights, privileges, powers and franchises of each of the Constituent Corporations, all property, real, personal and mixed, of each of the Constituent Corporations, all debts due to each of the Constituent Corporations on whatever account and all things in action or belonging to each of the Constituent Corporations shall be transferred to and vested in Techniclone Delaware; (iii) all property, rights, privileges, powers and franchises, as well as all other interests, shall be as effectively the property of Techniclone Delaware as they were of the Constituent Corporations before the Effective Date; and (iv) the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert to either of the Constituent Corporations or be in any way impaired by reason of the Merger. Notwithstanding the foregoing, (i) the liabilities of the Constituent Corporations and of their stockholders, directors and officers shall not be affected by the Merger; (ii) all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired notwithstanding the Merger; and (iii) any claim existing or action or proceeding pending by or against either of the Constituent Corporations may be prosecuted to judgment as if the Merger had not taken place; provided, however, that the claims and rights of the creditors of either or both of the Constituent Corporations may be modified with the consent of such creditors; and, provided further, that all debts, liabilities and duties of or upon each of the Constituent Corporations shall attach to Techniclone Delaware and accordingly may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it.

4.2 FURTHER ASSURANCES. From time to time, as and when required by Techniclone Delaware or by its successors or assigns, there shall be executed and delivered on behalf of Techniclone California such deeds and other instruments, and there shall be taken or caused to be taken by it such further and other actions as shall be appropriate or necessary in order to vest or perfect in or conform of record or otherwise by Techniclone Delaware the title to and possession of all the property, interests, assets, rights, privileges, immunities, powers, franchises and authority of Techniclone California and otherwise to carry out the purposes of this Agreement, and the officers and directors of Techniclone Delaware are fully authorized in the name and on behalf of Techniclone California or otherwise to take all such actions and to execute and deliver all such deeds and other instruments.

V.
GENERAL

5.1 COVENANTS OF TECHNICLONE DELAWARE. Techniclone Delaware covenants and agrees that it will, on or before the Effective Date of the Merger:

(a) Qualify to do business as a foreign corporation in the State of California and in connection therewith irrevocably appoint an agent for service of process as required under the provisions of Section 2105 of the California General Corporation Law.

(b) File all documents with the California Franchise Tax Board necessary for the assumption by Techniclone Delaware of all of the franchise tax liabilities of Techniclone California.

(c) Take such other actions as may be required by the California General Corporation Law.

5.2 DEFERRAL. Consummation of the merger may be deferred by the Board of Directors of Techniclone California for a reasonable period of time if the Board of Directors determines that deferral would be in the best interests of Techniclone California and its shareholders.

5.3 AMENDMENT. The parties hereto, by mutual consent of their respective Boards of Directors, may amend, modify or supplement this Agreement in such manner as may be agreed upon by them in writing at any time before or after adoption and approval of this Agreement by the stockholders of Techniclone Delaware and Techniclone California, but not later than the Effective Date; provided, however, that no such amendment, modification or supplement not adopted and approved by the stockholders of Techniclone Delaware and Techniclone California shall affect the rights of such stockholders or change any of the principal terms of this Agreement.

5.4 ABANDONMENT. At any time before the Effective Date of the Merger, this Agreement may be terminated and the Merger may be abandoned for any reason whatsoever by the Board of Directors of either Techniclone California or of Techniclone Delaware, or of both, notwithstanding the approval of this Agreement by the shareholders of Techniclone California or by the stockholders of Techniclone Delaware, or by both.

In the event of abandonment of this Agreement, as above provided, this Agreement shall become wholly void and of no effect, and no liability on the part of either Constituent Corporation or its Board of Directors or its stockholders shall arise by virtue of such termination except as provided in Section 5.5 hereof.

5.5 EXPENSES. If the Merger becomes effective, Techniclone Delaware shall assume and pay all expenses in connection therewith not theretofore paid by the respective parties. If for any reason the Merger shall not become effective, Techniclone California shall pay all expenses incurred in connection with all the proceedings taken in respect of this Agreement or relating thereto.

5.6 REGISTERED OFFICE. The registered office of Techniclone Delaware in the State of Delaware is located at 9 East Loockerman Street, Dover, Delaware 19901, and National Registered Agents, Inc., County of Kent is the registered agent of Techniclone Delaware at such address.

5.7 AGREEMENT. Executed copies of this Agreement will be on file at the principal place of business of Techniclone Delaware at 14282 Franklin Avenue, Tustin, California 92680, and, upon request and without cost, copies thereof will be furnished to any stockholder of either Constituent Corporation.

5.8 GOVERNING LAW. This Agreement shall in all respects be construed, interpreted and enforced in accordance with and governed by the laws of the State of Delaware and, so far as applicable, the Merger provisions of the California General Corporation Law.

5.9 COUNTERPARTS. In order to facilitate the filing and recording of this Agreement, the same may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement having first been approved by resolutions of the Boards of Directors of Techniclone Delaware and Techniclone California is hereby executed on behalf of each of such two corporations and attested by their respective officers thereunto duly authorized.

TECHNICLONE CORPORATION,
a Delaware corporation

By: /s/ Lon H. Stone
Lon H. Stone
President and Chief Executive Officer

TECHNICLONE INTERNATIONAL CORPORATION,
a California corporation

By: /s/ Lon H. Stone
Lon H. Stone
President and Chief Executive Officer

OFFICER'S CERTIFICATE
OF
TECHNICLONE CORPORATION,
a Delaware Corporation

The undersigned, Lon H. Stone, President of TECHNICLONE CORPORATION, a corporation organized and existing under the laws of the State of Delaware ("Techniclone Delaware"), hereby certifies, pursuant to the provisions of Sections 103 and 252 of the General Corporation Law of the State of Delaware, that Techniclone International Corporation, a California corporation ("Techniclone California"), the sole stockholder of Techniclone Delaware, has voted all outstanding shares of Techniclone Delaware in favor of the merger of Techniclone California with and into Techniclone Delaware on the terms and conditions set forth in the Agreement and Plan of Merger to which this Certificate is appended.

IN WITNESS WHEREOF, I have subscribed my name to this Certificate as of March __, 1997.

/s/ Lon H. Stone
Lon H. Stone, President

CERTIFICATE OF APPROVAL
OF
AGREEMENT AND PLAN OF MERGER

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

(a) They are the Chief Executive Officer and Secretary, respectively of TECHNICLONE INTERNATIONAL CORPORATION, a California corporation (the "Corporation").

(b) The Agreement and Plan of Merger in the form attached hereto was duly approved by the Board of Directors and the shareholders of the Corporation.

(c) There are two classes of shares of the Corporation, consisting of Common Stock and Class B Convertible Preferred Stock, and the number of shares outstanding and entitled to vote on the merger is 21,042,409 shares of Common Stock and 3,900 shares of Class B Convertible Preferred Stock.

(d) The merger was approved by the holders of 52.85 % of the outstanding shares of Common Stock and 100% of the outstanding shares of Class B Convertible Preferred Stock entitled to vote thereon. The merger required the approval of a majority of the outstanding shares of Common Stock and a majority of the Class B Convertible Preferred Stock, each voting as a separate class. The votes cast in favor of the merger equaled or exceeded the percentage vote required for the Common Stock and Class B Convertible Preferred Stock, each voting as a separate class.

The undersigned further declares 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 their own knowledge.

Dated: March __, 1997

/s/ Lon H. Stone
Lon H. Stone,
Chief Executive Officer

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

CERTIFICATE OF INCORPORATION
OF
TECHNICLONE CORPORATION

ARTICLE 1 - NAME

The name of this Corporation is TECHNICLONE CORPORATION.

ARTICLE 2 - REGISTERED OFFICE AND AGENT

The address of the registered office of the Corporation in the State of Delaware is 9 East Loockerman Street, Dover, Delaware 19901. The name of the Corporation's registered agent at that address is National Registered Agents, Inc., County of Kent.

ARTICLE 3 - PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware, as amended from time to time.

ARTICLE 4 - AUTHORIZED CAPITAL

The total number of shares of all classes of stock which the Corporation shall have authority to issue is 55,000,000, of which (i) 50,000,000 shares shall be designated "Common Stock" and shall have a par value of $0.001 per share; and (ii) 5,000,000 shares shall be designated "Preferred Stock" and shall have a par value of $0.001 per share. The Preferred Stock shall be divided into series. The first such series shall consist of 5,000 shares and is designated "Class B Convertible Preferred Stock". The Board of Directors is authorized, subject to limitations prescribed by law, to provide for the issuance of the shares of the remaining authorized shares of Preferred Stock in one or more series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether or not the shares of that series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series and, if so, the terms and amount of such sinking fund; and

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series.

The designations, powers, preferences and relative, participating, optional or other special rights and qualifications, limitations and restrictions thereof in respect of the Class B Convertible Preferred Stock are as follows:

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 Five Thousand (5,000). 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) 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"); (ii) prior to all of the Corporation's Common Stock ("Common Stock"); (iii) prior to any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms junior to any Class B Convertible Preferred Stock of whatever subdivision (collectively, with the Common Stock, "Junior Securities"); (iv) 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 Certificate 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 Certificate of Incorporation, as amended and restated, and any certificate of designation 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 Certificate of Incorporation, as amended, including any duly adopted certificate(s) of designation 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 stockholder 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 CONVERSIO N. 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 Delaware General Corporation Law ("Delaware 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 stockholders thereof or be entitled to notification as to any meeting of the stockholders.

To the extent that under Delaware 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 Delaware Law) shall constitute the approval of such action by the class. To the extent that under Delaware 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 stockholders 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 stockholder 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 Delaware 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 Certificate of Incorporation 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.

ARTICLE 5 - BOARD OF DIRECTORS AND MEETINGS OF STOCKHOLDERS

SECTION 1. BOARD OF DIRECTORS . The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors and elections of directors need not be by written ballot unless otherwise provided in the Bylaws. The number of directors of the Corporation shall be fixed from time to time by the Board of Directors either by a resolution or Bylaw adopted by the affirmative vote of a majority of the entire Board of Directors.

SECTION 2. MEETINGS OF STOCKHOLDERS. Meetings of the stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the Delaware Statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or by the Bylaws of the Corporation.

SECTION 3. NO STOCKHOLDER ACTION BY WRITTEN CONSENT . Commencing September 27, 1996, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise provided in the Bylaws of the Corporation, special meetings of the stockholders of the Corporation may only be called by the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors. At any annual meeting or special meeting of stockholders of the Corporation, only such business shall be conducted as shall have been brought before such meeting in the manner provided by the Bylaws of the Corporation.

ARTICLE 6 - LIMITATION OF DIRECTORS' LIABILITY

A director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this provision shall not eliminate or limit the liability of a director (i) for any breach of his duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law,(iii) under Section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derives an improper personal benefit. If the General Corporation Law of the State of Delaware is hereafter amended to authorize corporate action further limiting or eliminating the personal liability of directors, then the liability of the directors of the Corporation shall be limited or eliminated to the fullest extent permitted by the General Corporation Law of the State of Delaware, as so amended from time to time. Any repeal or modification of this Article 6 by the stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE 7 - AMENDMENT OF BYLAWS

The Board of Directors of the Corporation shall have the power to make, alter, amend, change, add to or repeal the Bylaws of the Corporation.

ARTICLE 8 - INCORPORATOR

The name and address of the Incorporator of the Corporation is as follows:

Stewart A. Smith
660 Newport Center Drive
Suite 1600
Newport Beach, California 92660-6441

I, THE UNDERSIGNED , being the Incorporator, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate of Incorporation, do certify that the facts herein stated are true, and accordingly, have hereunto set my hand this 24th day of September 1996.

/s/ Stewart A. Smith
Stewart A. Smith

EXHIBIT 21

PEREGRINE PHARMACEUTICALS, INC.
Subsidiaries of Registrant

Peregrine (Beijing) Pharmaceutical Technology Ltd.

Avid Bioservices, Inc.

Vascular Targeting Technologies, Inc.

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-215053, 333-208466, 333-192794, 333-185423, 333-178452, 333-171067, 333-164026, 333-130271, 333-121334, and 333-106385; Form S-3 No. 333-201245) of Peregrine Pharmaceuticals, Inc. and in the related Prospectus of our reports dated July 14, 2017, with respect to the consolidated financial statements of Peregrine Pharmaceuticals, Inc., and the effectiveness of internal control over financial reporting of Peregrine Pharmaceuticals, Inc., and to the reference to our firm under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in this Annual Report (Form 10-K) of Peregrine Pharmaceuticals, Inc. for the year ended April 30, 2017.

/s/ Ernst & Young LLP
Irvine, California
July 14, 2017

EXHIBIT 31.1

Certification of Chief Executive Officer

I, Steven W. King, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: July 14, 2017

Signed: /s/ Steven W. King
Steven W. King
President and Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer

I, Paul J. Lytle, certify that:

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

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

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

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

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

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

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

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

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

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

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

Dated: July 14, 2017

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

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven W. King, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K for the year ended April 30, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By: /s/ Steven W. King
Name: Steven W. King
Title: President and Chief Executive Officer
Date: July 14, 2017

I, Paul J. Lytle, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K for the year ended April 30, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report of Peregrine Pharmaceuticals, Inc. on Form 10-K fairly presents in all material respects the financial condition and results of operations of Peregrine Pharmaceuticals, Inc.

By: /s/ Paul J. Lytle
Name: Paul J. Lytle
Title: Chief Financial Officer
Date: July 14, 2017

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

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